



Research Brief
Wireline Telecommunications

January 13, 2004

Wireline Services Pricing Update

Pushing Harder on the Bundle in 4Q03

- ◆ In this update, we highlight our 4Q03 survey of the industry's emerging structure for bundled wireline service pricing. We look to real-time market pricing information for insight into how carriers are reacting to the emerging battle for residential customers where local, long distance and broadband services are at the epicenter of the industry's fight.
- ◆ Qwest surpassed SBC as the most aggressive incumbent pricer this past quarter, showing the company's strategic hand in the process. Such strategies tend to produce enhanced operating metrics and the expense of earnings. While potentially NPV positive in the long-run, an aggressive price strategy can catalyze more vicious short-term competitive reactions.
- ◆ The bundled monthly price for unlimited local/long distance voice and DSL declined an average of 4% for the incumbent providers. Rising discounts support the industry contention that the push into bundles in order to up-sell customers and lower churn is intensifying.
- ◆ The LD pricing floor fell 5% as price moves from SBC and Qwest dominated the averages. At the same time, AT&T and Verizon raised their pricing floors by canceling bargain plans and promotions respectively.
- ◆ In a potentially positive trend for incumbents, prices for standalone services are flat to rising allowing for higher margins while incenting customers to shift to bundles by making them look more attractive. This occurred primarily within the standalone unlimited LD plans in 4Q03.
- ◆ Increased bundle discounts are coming from more generous DSL pricing at the Bell companies. Accounting for the moves, however, SBC and BellSouth simply joined Verizon and Qwest offering bundled DSL discounts this past quarter and did not re-price their baseline services.
- ◆ Newer entrants are responding, though, with lower bundled pricing of their own. Some VoIP providers cut prices as did MCI this past quarter. Cable provider Comcast is offering a new unbundled LD plan that puts the company at the low end of incumbent pricing.

Sector View: Underweight. Stagnant job growth and rising competition are shrinking scale economies, boosting churn costs, pressuring margins and curtailing sector growth.

Sector Price Appreciation Potential (Median of Target Price): 0%

David W. Barden, CFA

(212) 847-5890
dwbarden@bofasecurities.com

Robert Dezego

(212) 847-5702
rjdezego@bofasecurities.com

Joseph Bender

(212) 583-8453
joe.bender@bofasecurities.com

Top Picks

Ticker	Rating	Price	Target
VZ	B	\$36.73	\$38.00
T	B	\$21.02	\$24.00

Least Favorites

CBB	S	\$5.61	\$3.00
Q	S	\$4.38	\$3.00

B = Buy, N = Neutral, S = Sell, * = New Pick

Please see the important disclosures and analyst certification on page 39 of this report. BAS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.

Table of Contents

Summary Conclusions	2
Introduction	6
Part I: A la Carte Versus The Bundle: 3Q03 vs. 4Q03	9
A la Carte Monthly Total Price- Local, Vertical Services and Unlimited LD.....	10
Bundled Monthly Total Price- Local, Vertical Service and Unlimited LD.....	10
Monthly Bundle Discount By Carrier- Local, Vertical Services and Unlimited LD.....	10
A la carte Monthly Total Price- Local, Vertical Services, Unlimited LD, and DSL.....	11
Bundled Monthly Total Price- Local, Vertical Services, Unlimited LD, and DSL.....	11
Monthly Bundle Discount by Carrier- Local, Vertical Services, Unlimited LD, and DSL.....	11
Where Carriers Discount Bundles Versus A la carte.....	12
A la carte, Bundled and Unlimited Plan Summary.....	13
Part II: Crossover Analysis of Unlimited vs. Per Minute LD Plans: 3Q03 vs. 4Q03	14
Bundled Local and Per Minute Long Distance Plans By Carrier.....	14
Change in Bundled Local and Unlimited LD Crossover Point By Carrier.....	15
Change in Monthly Cost at Lowest Priced Plan At National Ave LD MOU (140 minutes).....	16
Cost Per LD Minute Across Minute Plans vs. Unlimited LD Crossover Point.....	17
Crossover analysis by Carrier.....	19
AT&T Corporation.....	19
Qwest Communications.....	19
Sprint FON Group.....	20
SBC Communications.....	20
BellSouth Corporation.....	21
Verizon Communications.....	21
Part III: Pricing Analysis by Carrier	22
AT&T Corporation.....	22
BellSouth Corporation.....	24
SBC Communications.....	26
Verizon Communications.....	28
Sprint FON Group.....	31
Qwest Communications.....	32
MCI.....	34
Internet Based Providers.....	35
Vonage.....	35
Earthlink, Inc.....	35
Cable Providers.....	35
Cox Communications.....	35
Comcast Corporation.....	36
Cablevision.....	36

Summary Conclusions

We have drawn the following new conclusions from our second consumer wireline services pricing survey completed in December 2003. These conclusions come primarily from examining the quarterly change apparent in service pricing since our September 2003 pricing analysis.

Change in Bundled Monthly Total Price: 4Q03 vs. 3Q03 Sequential Unlimited Local and Long Distance and DSL

Company	Ticker	% Change
AT&T	T	0%
Verizon	VZ	0%
BellSouth	BLS	-3%
SBC	SBC	-4%
Qwest	Q	-9%
MCI	WCOEQ	-11%
Earthlink	ELNK	-13%
Average		-6%
Average (excluding Earthlink)		-4%

Source: Company reports, Banc of America Securities LLC estimates.

Change in LD Per Minute Pricing: 4Q03 vs. 3Q03 Sequential For the Average Domestic User at 140 Minutes

Company	Ticker	% Change
Verizon	VZ	4%
AT&T	T	2%
BellSouth	BLS	-4%
SBC	SBC	-9%
Sprint	FON	-9%
Qwest	Q	-13%
Average		-5%

Source: TNS Telecoms, www.tnstelecoms.com, company reports, Banc of America Securities LLC estimates.

- ◆ **Bundled discounts are rising.** We see this as a strong sign that the marketing focus remains on the bundle. The twist is that is not all about prices falling, it is also about standalone prices rising. Qwest (Q, \$4.38, Sell, Target Price: \$3.00) was the only Bell company to lower its unlimited local and long distance bundled plans this past quarter.
- ◆ **Standalone service pricing is generally flat to rising among incumbents.** We believe there are two objectives behind an upward drift in individual service pricing. First, it appears larger companies are harvesting portions of their customer base by charging higher rates to those not in bundles, boosting operating margins from these segments. Second, higher prices catalyze a migration to bundles, with the greatest likelihood that customers will still choose the Bells as their bundled provider.
- ◆ **All the Bells now offer discounted DSL in the bundle, which is helping push these prices down.** BellSouth (BLS, \$29.17, Neutral, Target Price: \$30.00) and SBC (SBC, \$26.83, Neutral, Target Price: \$26.00) joined Verizon (VZ, \$36.73, Buy, Target Price: \$38.00) and Qwest in marking down DSL service pricing if customers take a bundle of services. DSL is now on parity with vertical services and LD as a discounting tool to attract new bundled customers and retain them.
- ◆ **The total bundled monthly price for unlimited local, unlimited long distance and DSL declined an average of 4% for the incumbent providers.**

The continuation of a three month price decline of 4% would be a major negative for the industry. However, the majority of the declines came from increased DSL discounts in the bundle and not from substantial voice pricing declines. We do not expect the current rate of DSL price declines to continue, as pricing is already below its cable peers.

- ◆ **Newer entrants are responding by lowering their prices.** Emerging VoIP providers cut prices as did MCI (WCOEQ, \$0.03, Not Rated) this past quarter. Cable provider Comcast (CMCSA, \$35.36, Buy, Target Price: \$40.00, covered by Douglas Shapiro) is offering a new unbundled LD plan that puts them at the low end of incumbent pricing.
- ◆ **Long distance minute pricing continues to face the greatest standalone pricing pressure falling 5% this past quarter for the average user.** Sprint (FON, \$18.20, Neutral, Target Price: \$15.00) lowered low end pricing, BellSouth lowered mid-level pricing and Qwest lowered high end pricing. SBC lowered prices across the board. Verizon and AT&T (T, \$21.02, Buy, Target Price: \$24.00) were the exceptions among the major carriers. Verizon ended a promotion this past quarter, which bumped up its average price offering across the board and AT&T eliminated its five cent weekend plan, taking an attractive plan off the market.
- ◆ **Qwest has taken the reigns as the most aggressive pricer among incumbents.** In our September survey, SBC had the most aggressive combination of low prices and bundled discounts. Qwest's new five cent per minute plan with no monthly fee and a maximum monthly charge of \$20 pushed the company into the most aggressive slot amongst the incumbents (excluding the low priced cable telephony and VoIP offerings). In addition, Verizon now offers one of the greatest bundle discounts, yet has some of the highest priced per minute long distance rates.

We see incremental data to support the following conclusions we drew three months ago in our inaugural survey:

- ◆ Unlimited long distance bundled plans are still not a 'mass market' product, which must change if locking up the mass market is the strategic goal of each carrier. Most unlimited bundled plans are not economic for typical LD users with an average crossover point of 401 minutes per month versus an average consumer use of 140 minutes. SBC moved from the most aggressive crossover at 285 minutes in September to the least aggressive crossover at 575 minutes in December with the addition of discounted per minute long distance packages, which could slow the take rate for its unlimited bundle.
- ◆ In September, we noted that Cable and VOIP providers were the most competitive on wireline service bundle pricing. This remains the case as we saw \$5 price declines from Vonage and Earthlink to \$34.99 per month. Average wireline bundle prices would have to fall 30% to reach parity, an increase from the 20% decline required in September.
- ◆ How service providers price out the bundle discount vs. the a la carte offering varies widely but almost all carriers offer some discount on local services.
- ◆ AT&T and Sprint continue to appear to be taking very different approaches to their respective consumer LD bases. AT&T is among the least aggressive in trying to bring consumers onto unlimited plans with a high crossover point but the company has some of the more attractive LD pricing for the average user. Sprint's pricing aggressively encourages migration to a bundled plan and levies relatively high per minute usage charges.

Other pricing developments of interest:

- ◆ **BellSouth added a bundled local offering priced between a basic line and its flagship Complete Choice local bundle.** In an effort to get more local customers onto some level of a bundle, BellSouth introduced the Preferred Pack local bundle for \$29.95, priced just below the \$34.00 Complete Choice local bundle. The Preferred Pack offers a choice of 3 vertical services from a list of five and is targeted at the consumer that does not require the multiple vertical services offered in the Complete Choice package, which offers users any combination of up to 23 services. However, Preferred Pack subscribers cannot subscribe to unlimited long distance (only Complete Choice customers are eligible). In addition, DSL pricing is \$8 more per month versus the unlimited local/long distance package and \$3 per month more than in a Complete Choice local bundle.
- ◆ **AT&T increased pricing to its basic rate long distance customers that was not included in the survey as it took effect in January.** The rate hike adds a \$3.95 monthly charge for those that do not subscribe to a specific long distance calling plan. The increase in fees was partially offset by a decrease in the basic weekend per minute rate to 5 cents from 18 cents. In addition, for its local/LD bundled plans, AT&T current charges a \$5 minimum for its flat rate per minute plan (i.e. there is no “monthly fee” but customers must pay for the first \$5 minutes of usage regardless of the number of calls made in any given month). On the AT&T website, the company notes that this \$5 minimum per month will increase to \$7 per month in March 2004. While we expect AT&T to continue to see market share erode in the consumer long distance voice market, the steps the company is taking to harvest this business in the near term encourage us.
- ◆ **Other carriers also increased some long distance rates/plans in December.** BellSouth levied a \$0.99 monthly fee on most residential long distance customers and also increased its basic per minute rate to \$0.18 from \$0.14. Sprint (in its local region) increased its rates from \$0.10 per minute to \$0.12 per minute for additional minutes above its 100-minute plan. On its 300-minute plan, Sprint increased overage minutes to \$0.10 from \$0.08. Finally, in November, MCI increased its monthly fees by \$1 on six of its long distance plans. In general, we see these efforts aimed at either harvesting higher revenues from those customers that stay, migrating valuable customers to more attractive plans or culling unprofitable subscribers.
- ◆ **A leading Verizon offer of discounted bundled local and long distance calling plans expired on 10/31/03 and was not reintroduced.** Verizon had been offering promotional five cents per minute rates on long distance (both interLATA and intraLATA LD voice) with no monthly charge in combination with a local bundled offering. The local packages included a \$35.95 plan (with a choice of 3 vertical services), a \$38.95 plan (with unlimited vertical services), and other packages adding unlimited regional calling for \$44.95 (5 vertical services) or \$54.95 (all vertical services). The local plans are still offered, but consumers must subscribe to more expensive long distance calling plans.
- ◆ **Some a la carte price increases for unlimited local/LD and DSL were driven primarily by increased out of bundle long distance pricing.** We believe that these increases were more likely the result of the conclusion of the 271 relief process (giving the Bells authority to sell long distance services in all in-region states) and the establishment of uniform marketing across their territories. AT&T launched an unlimited long distance packaged priced at \$29.95, a \$7.45 premium to the bundled price. SBC now offers unlimited long distance calling for \$20 in selected bundles but \$30 outside the bundle. Qwest now offers unlimited long distance calling with a maximum of \$20 per month in charges, versus a maximum of \$25 in charges outside the bundle. (Qwest customers pay

5 cents per minute until the maximum levels are reached). None of these plans were in existence, or were not publicly advertised on the websites, in September 2003.

There are three key caveats to our analysis as presented here. First, we take rates as advertised by the various companies included in the analysis and we do not adjust for incremental fees and taxes. We believe that the validity of analyzing carriers relative to one another in this respect is retained. Second, for Bell companies in particular, rates for services vary from state to state. We generalize in this respect by concentrating our analysis on each Bell company's home state as the focus of our analysis. While variances occur, we are satisfied that the level and range of pricing plans in each Bell company's home state is representative of their position in the marketplace. Finally, current DSL pricing offers of free or heavily discounted prices for time periods ranging from one to up to six months are the main source of price discounts. In order to capture these discounts in our model, we calculated the average forward twelve month price per provider based on the total up front discount and the total monthly price thereafter.

Introduction

In this our second pricing survey, completed in December 2003, we have added the ability to look at rates of change in the wireline pricing environment in addition to absolute pricing levels. While our summary conclusions are drawn in the previous section, we note here some general trends we found notable across the industry as we built the survey database.

- ◆ **Purchasing a la carte services is no easy task—users are being strongly pushed into the bundle through marketing tactics.** The process of looking for and subscribing to a basic local line with a la carte features is becoming increasingly difficult over the web. The company web sites for example all start with bundled offerings and most links try to keep potential customers within the bundled offering platform. Signing up for basic a la carte services, or even looking at pricing, requires additional navigation through several additional pages that are not advertised well. Some require phone calls to company representatives and substantial pestering and information sharing.
- ◆ **Long distance pricing plans have been simplified.** Over the past three months, we have witnessed a shrinkage in the number of per minute long distance calling plans offered by many carriers. Case in point, Qwest eliminated all its long distance pricing plans and is now offering a simplified, five cents per minute package, with no monthly fee and a maximum charge of \$20 per month (in a bundled package).
- ◆ **Long distance per minute pricing continues to decline.** While rates to basic subscribers have increased in some cases, primarily we saw decreases in the rates of many conventional plans across the industry in the past three months. BellSouth lowered its per minute overage rates on some of its lower end plans (from \$0.12 to \$0.09 on its Talk 30 plan and from \$0.10 to \$0.08 on its Talk 60 plan). MCI lowered its per minute rate from \$0.07 to \$0.05 on its Neighborhood advantage plan. SBC introduced a \$0.03 per minute plan for just \$3.00 per month. Verizon eliminated its \$0.05 per minute rates with no monthly fee promotion. Finally, Qwest's move to one simple flat rate \$0.05 per minute plan was clearly the most aggressive move we have seen to date.

We continue our efforts to monitor developments in the important consumer market, as it remains a key driver of revenue in the industry. For all its acknowledged commoditization and competitiveness, the consumer market remains a staple contributor to the US telecom industry's revenue and profitability. It is also shaping up to be the battleground for emerging competitive services such as VoIP and there are many more types of companies today looking for a bite of the apple. The largest of the US wireline carriers, the Bell companies, generate the largest percentage of their revenue from consumer-related services today. The three largest Bell companies generate an average of 50% of their wireline service revenue from consumer-related services. Long distance companies, in the wake of substantial, long-time competitive pricing in this market, generate lower but still substantial percentages of their revenue from the consumer market, around 25% to 30%. The cable industry and emerging Voice over Internet Protocol (VOIP) are almost entirely beholden the consumer marketplace.

We focus our analysis on the complex and shifting competitive pricing environment in an attempt to divine current trends. The lack of real-time data is a substantial frustration for those attempting to monitor the telecom industry in these times of rapid change. We deem pricing information, generally available to the public in a real-time way, as some of the best leading indicator information available and we believe trends in this data will allow us over time to analyze competitive behavior and positioning in a real-time way and predict market share shifts.

We focus on various competitive facets in the consumer market today. For each of these companies, we identify first representative service pricing in an a la carte fashion and compare overall service pricing. Given that in our view the competitive battlefield is the service bundle, we have further collected information on bundled calling plans, unlimited calling plans and the complex multi-service bundles that include DSL, dial up Internet, and/or wireless. One caveat to our pricing information is that, importantly, the prices in this report do not include FCC line charges, universal connectivity charges, and other miscellaneous fees and taxes. The omission of these fees and taxes affects our perception of the absolute level of pricing in the industry and some of the related economic crossover analysis we do, but it does not affect the relative position of carriers in the pricing matrix to as large an extent. The biggest impact is that it may understate the magnitude of the pricing advantage that VoIP-related carriers have over switch-based carriers in aggregate though these operators already show up at the low end of the survey as it stands.

Rising competition in the consumer wireline market has led to an explosion in the number of available plans from which consumers can choose – but its not easy to find them all. As consumers sort through myriad plans, choosing the most economical plan is not simple at all. In our experience gathering the data for the available calling plans in the marketplace for this report, we found the individual company website information to be confusing and often incomplete. As a result, we eventually had to call virtually every company (spending a large amount of time on hold in the process) in order to fill the gaps. Further, due to variations in the features offered by each plan, it was not plausible to make perfect comparisons across all carriers. Nonetheless, we believe our analysis provides a general snapshot of the competitive landscape to the greatest extent possible. To their credit, the carriers appeared to recognize the confusion and reduced the number of plans available to the consumer, although the list is still quite long.

At its most basic, we can divide industry pricing structure today into a la carte services and bundled services which typically offer a discount to the identical a la carte service mix. For local services, the major carriers offer a basic phone line with options to purchase vertical services on an individual basis. The a la carte purchase is ideal for consumers that want only one or two vertical services. However, bundled vertical service offerings are often priced well below the a la carte level, making the bundle an attractive option along two lines. First, for the heavy vertical service user, the bundle is the obvious economic choice. The user making a direct swap out of multiple a la carte service into bundled service is a dead weight economic loss for the sector. At the same time, the economics of the multi-service bundle are frequently compelling enough to generate an up sale, persuading the user to spend more money than they otherwise would to take advantage of a perceived bargain. In this case, the up sale is all profit beyond the incremental cost to provide service (assuming no opportunity cost – the cost associated with the potential to see that service at full price, which has just been sold at a discount).

In this report, not only do we survey a la carte and bundled plans offered by carriers, but we also analyze how discounts are allocated across the bundle and how incumbent pricing behavior compares to competitive offerings. As the industry migrates to service bundles from a long history of a la carte service pricing, at this point in time, carriers generally appear to be discounting long distance more heavily than local and most now offer some DSL discount in bundles. SBC, Verizon, AT&T, and Sprint are discounting long distance bundles more than local. Qwest is offering greater local discounts than long distance discounts. Over the past quarter, Bellsouth and SBC have added discounts to DSL to their offerings whereas only Verizon and Qwest did so before. SBC continues to execute true to its strategy of emphasizing price, having taken the lead in overall bundle discounts through the launch of aggressive new LD pricing and discounts.

Long distance pricing, within the bundle, relative to a la carte offerings, appears to be the biggest source of variation among operators today. In the back half of this report, we examine the various unlimited calling plans in the marketplace and the economic crossover points (point of indifference) based on minutes of use. Unlimited calling plans have gained popularity in recent quarters. Today, every large cap telecom provider offers both unlimited calling plans and a variety of per minute and/or bucket calling plans for consumer long distance. All offer a bundle containing local and long distance and many include DSL and wireless in larger bundled offerings. The unlimited plans eliminate the potential for surprisingly large monthly bills (and the accompanying sticker shock) if usage spikes in a given month. However, while unlimited plans are conceptually appealing for consumers, per minute plans remain the best economic choice for the average consumer. For these customers, the unlimited plans are not worth the higher monthly cost, and as a result, cheaper per minute plans remain popular.

We estimate the economic crossover point for existing unlimited plans to be in the range of 315 to 575 minutes, depending on the carrier with a mean of 403 minutes, compared to an industry average use of 140 minutes per customer. This is an increase from the previous range of 285 to 460 minutes and mean of 368 minutes in September. Crossover points for both SBC and Verizon changed in opposite directions as SBC lowered prices, shifting out the crossover and Verizon raised them, bringing in the crossover. For each company, we determined the crossover point at which the unlimited plan made economic sense. To determine this point for each carrier, we calculated the lowest priced calling plan at 100 minute increments from 0 to 1,000 minutes and compared this total cost to the cost of the unlimited plan of each company. Our results show that SBC's crossover point is now the highest at roughly 575 minutes per month and BellSouth and Sprint's are the lowest at roughly 315 and 325 minutes, respectively. AT&T continued to price less aggressively on LD bundles, preferring to keep its incumbent LD users on per minute plans. Instead, AT&T is discounting its local service offerings to lure higher-end customers onto its local/LD bundle.

As our study evolves, the more powerful information we expect to generate over time will be continued analysis of the incremental changes in the industry, by company, as a barometer of the competitive state of the industry. We expect to continue to monitor very closely the changes in the consumer local and long distance pricing plans across all major carriers and the new emerging alternative providers pricing plans. Our analysis of the bundled offerings, the numerous LD calling plans, and the crossover point for the unlimited plans, should serve as a useful tool in gauging the level of competitive forces at work in the consumer market.

Part I: A La Carte Versus The Bundle

The majority of the major telephone service providers offer separate a la carte and bundled service price packages while major cable competitors (Comcast, Cox, and Cablevision) and emerging players typically do not. The a la carte option is suited to those subscribers that want just one or two vertical services on a basic phone line for either simplicity or economics sake. The pricing for vertical services as expensive stand-alones from the telecom providers is designed to entice subscribers to take bundled packages of vertical services or make outsized profits from those that do not want the bundle. For the purposes of this analysis, we priced the a la carte services based on a local line and the four vertical services found in most bundles—caller ID, call waiting, 3-way calling, and call forwarding. In all cases, pricing for individual vertical services was more expensive than the pricing of the bundled package. For each carrier, we used the pricing in each company's home state for the basis of our analysis.

A la carte price offers from the major telephone carriers remain the highest in the group, as cable and Internet providers continue to offer discounted services. To complete the bundled versus a la carte analysis, we added in unlimited long distance packages for each company. For the companies that do not offer unlimited long distance on an a la carte basis, we used the long distance plan that offered the closest to 500 minutes per month. In this analysis, for the basic package of local, vertical services, and unlimited long distance services we compared the price points for the a la carte services to the discounted bundled offering. On an a la carte basis, Verizon, SBC and AT&T were the highest priced group (\$66.75 - \$70.33 per month), with Qwest and BellSouth in the lowest priced group (\$57.91 and \$59.84 per month, respectively). MCI, the cable and VoIP providers do not offer a la carte unlimited long distance service offerings.

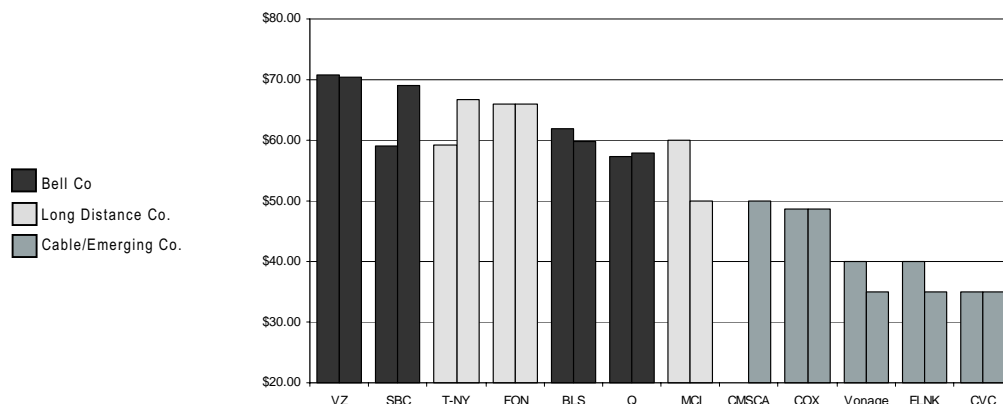
The bundled service offerings for each company offer a discount to the a la carte pricing. We view the difference between bundled and a la carte pricing as an indication how interested companies are in migrating customers to the bundle. A larger difference between bundled and a la carte pricing means a more aggressive shift to bundled packages.

SBC is taking the most aggressive approach to bundling by offering the greatest discount between standalone and bundled local and LD combinations. BellSouth is the most conservative in pricing bundled offerings and Qwest, AT&T, Verizon and Sprint fall into the middle of the pack of bundle discounts. On an absolute basis, Verizon offers the most expensive unlimited local and long distance plan at \$59.95, followed by Sprint (\$55.99), BellSouth (\$54.99) and AT&T (\$54.95). Qwest dropped its price 8% to \$45.99. Vonage, Earthlink, and Cablevision (CVC, \$25.65, Buy, Target Price: \$33.00, covered by Douglas Shapiro) offer the cheapest plans at \$34.99. We note that Vonage and Earthlink both dropped pricing by 13% from \$39.99 in September. In our study, we found that Verizon and SBC continued to offer the greatest monthly discounts versus the ala carte plans, at even higher levels versus September.

Factoring in broadband service, the Bells are leading the charge in total discount from a la carte pricing. BellSouth offers the greatest DSL discount for those customers taking a bundle at \$8.33 per month (BellSouth has an aggressive sliding scale of DSL discounts that increase as consumers take higher priced local/LD bundles which also varies by market). Qwest offers a \$5 discount to the standard DSL rate, Verizon offers a \$3.75 discount, and SBC offers a \$3 discount. In total, for vertical services, unlimited local and long distance, and DSL, SBC is offering the greatest combined discount to its a la carte pricing at \$23.17. The increase in SBC's bundle discount is primarily due to the addition of a new unlimited LD plan that is heavily discounted in bundled offerings.

In the following charts, we highlight the a la carte pricing, bundled pricing and the difference between the two for major carriers. The first set of charts looks at local, vertical services and LD and the second set of charts adds broadband to the bundle.

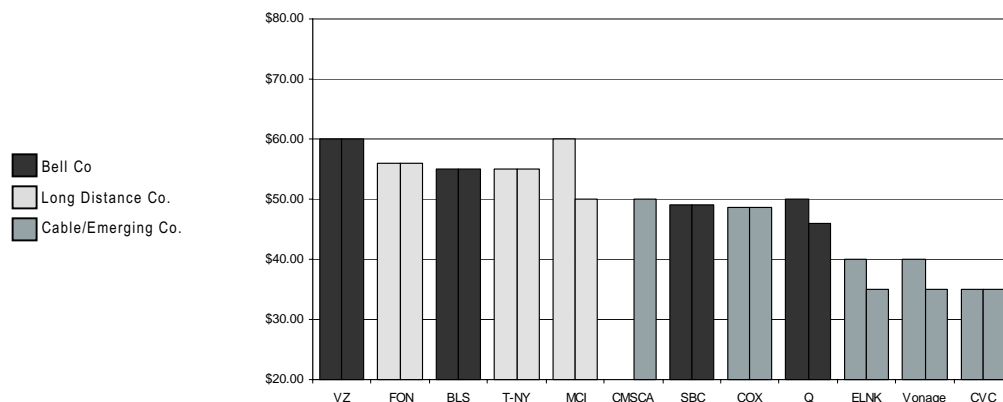
**Ala carte Monthly Total Price - Local, Vertical Services and Unlimited LD
3Q03 vs. 4Q03**



Note: If no unlimited LD plan was offered ala carte, we assumed the pricing plan that includes 500 minutes.

Source: Company reports, Banc of America Securities LLC estimates.

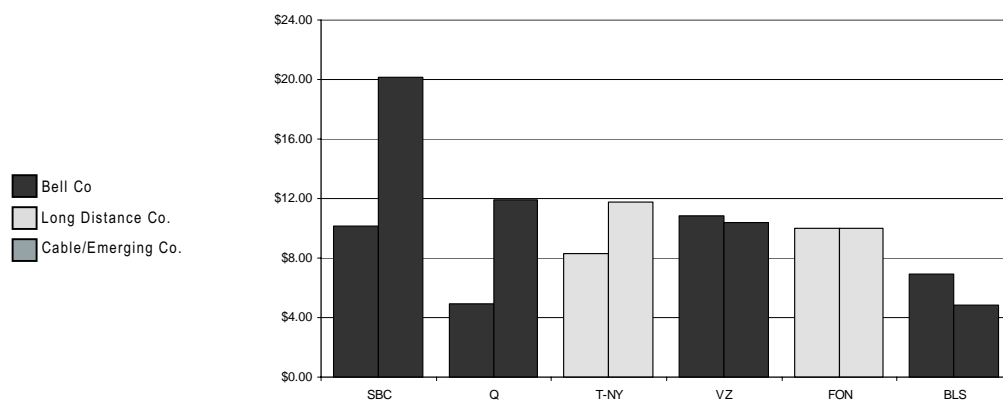
**Bundled Monthly Total Price- Local, Vertical Services and Unlimited LD
3Q03 vs. 4Q03**



Note: If no unlimited LD plan was offered ala carte, we assumed the pricing plan that includes 500 minutes.

Source: Company reports, Banc of America Securities LLC estimates.

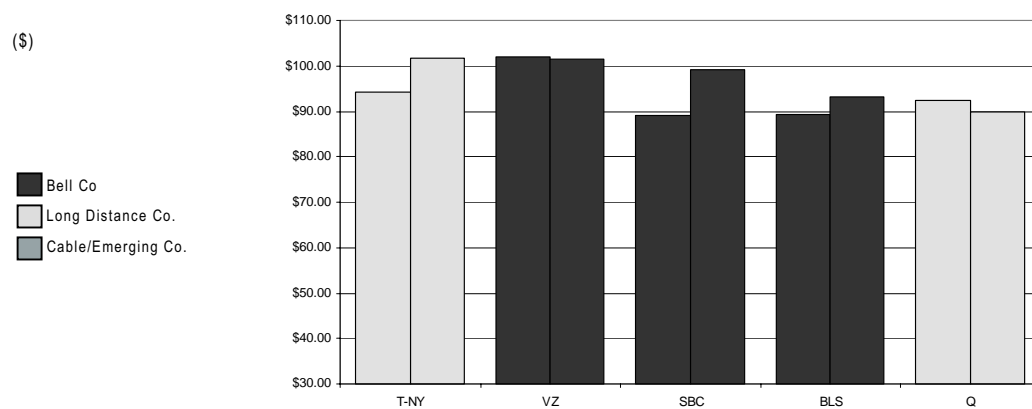
Monthly Bundle Discount By Carrier- Local, Vertical Services and Unlimited LD 3Q03 vs. 4Q03



Note: If no unlimited LD plan was offered ala carte, we assumed the pricing plan that includes 500 minutes.

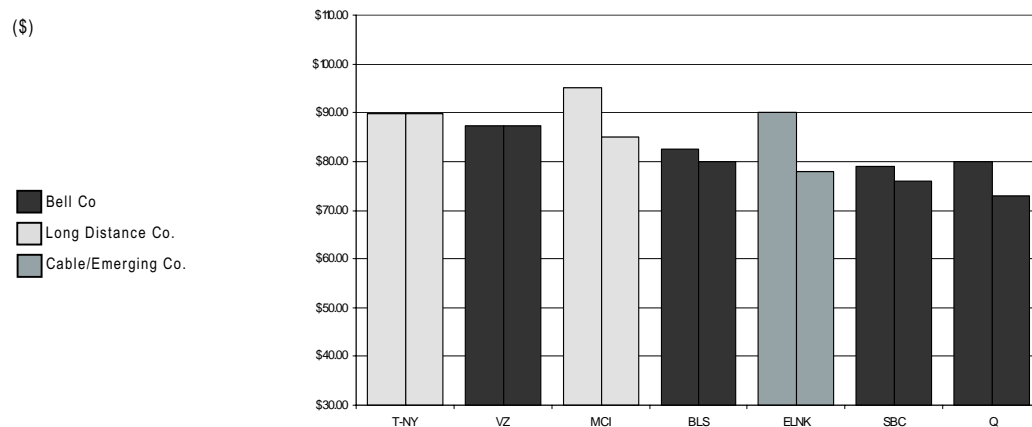
Source: Company reports, Banc of America Securities LLC estimates.

Ala carte Monthly Total Price- Local, Vertical Services and Unlimited LD and DSL 3Q03 vs. 4Q03



Source: Company reports, Banc of America Securities LLC estimates.

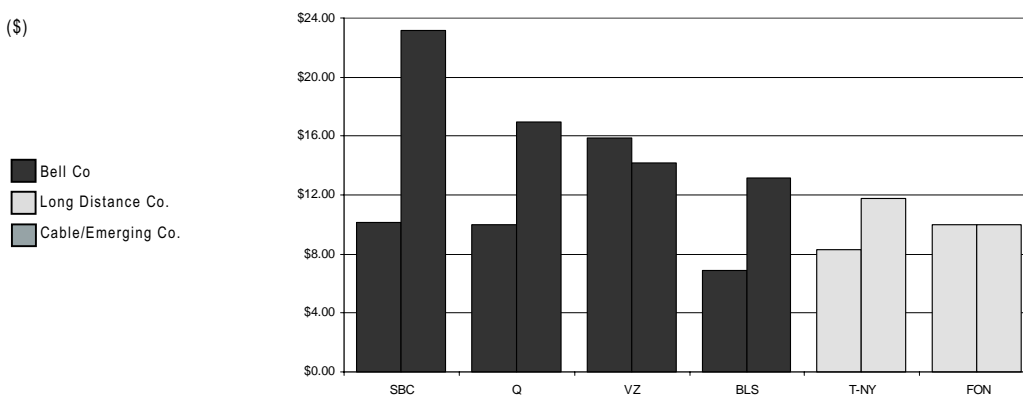
Bundled Monthly Total Price- Local, Vertical Services and Unlimited LD and DSL 3Q03 vs. 4Q03



Source: Company reports, Banc of America Securities LLC estimates.

**Bundle Discount By Carrier- Local, Vertical Services and Unlimited LD and DSL
3Q03 vs. 4Q03**

(\$)



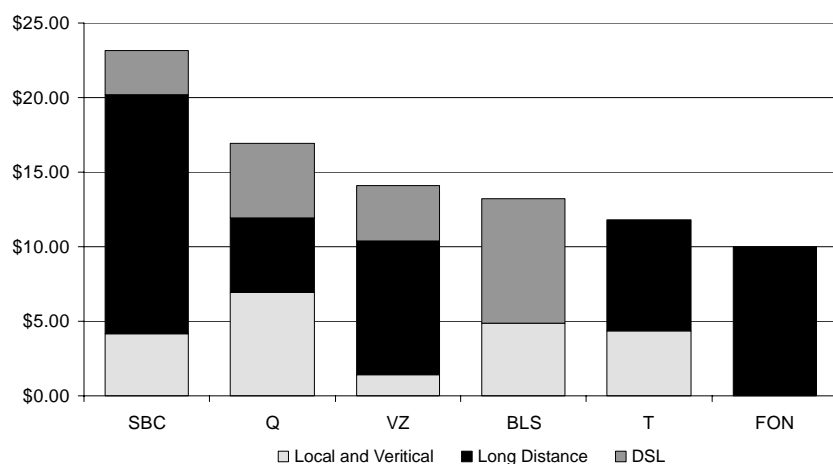
Source: Company reports, Banc of America Securities LLC estimates.

Comparing a la carte and bundled service pricing allows us to see where carriers are effectively discounting within the bundle. The allocation of service discounts varies widely but all the carriers presented here save Sprint are discounting the price of local and vertical services. It is interesting that Sprint is discounting its LD service pricing. A consumer assessing Sprint as an LD carrier would see the benefit of purchasing a bundle instead, though the risk arises that the company cannibalizes its LD revenue stream. AT&T's approach is to migrate the entire bundle discount to local, offering higher standalone local prices, pushing those consumers evaluating AT&T for local to a bundle. AT&T's approach appears to be a less aggressive one than Sprint with fewer potential ramifications for the installed base. Bell companies are offering a mix of local, LD and DSL discounts. Whereas Verizon and Qwest were previously the only operators offering broadband discounts, BellSouth and SBC joined the group in marking down DSL service pricing if customers take a bundle of services.

Where Carriers Discount Bundles versus Ala carte

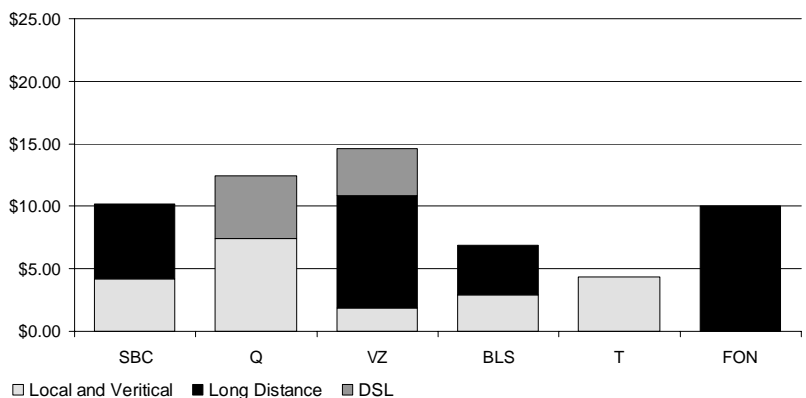
4Q03

(\$ per month)



3Q03

(\$ per month)



Source: Company reports, Banc of America Securities LLC estimates.

Banc of America Securities

Ala Carte vs. Bundled Price Comparison

Component Prices as broken down by provider

Offering	Bundle Total	Ala carte Total	Local MRC	Local \$/Call or min	Intrastate \$/min	LD MRC	Interstate/ min.	Features Bundle	Call ID	Call Wait	3-Way Call	Call Fwd	3-Way Per Use	Voice Mail	Speed Dial	Call Block	Privacy
ATT -NY	36.40	40.75	19.95	unlimited	0.07	3.95	0.07	12.50	7.95	4.95	3.95	3.95		5.95	3.89	0.00	2.09
BellSouth	38.95	43.80	15.40	unlimited	0.05	4.95	0.05	included	7.95	6.50	5.00	4.00		3.95	4.00	4.00	5.95
MCI Neighborhood	34.14	34.14	29.99	unlimited	0.05	0.00	0.05	included	incl	incl	incl	4.15		6.00	4.15	na	Na
Qwest	25.99	32.91	14.96	unlimited	0.05	0.00	0.05	included	6.95	4.50	3.50	3.00		6.95	3.00	4.50	3.95
SBC	34.95	39.12	16.82	unlimited	0.07	0.00	0.07	included	9.50	2.80	5.00	5.00		6.95	5.00	5.00	5.00
Verizon	44.90	46.28	16.34	unlimited	0.07	5.95	0.05	included	7.99	7.50	4.25	4.25	0.75	6.23	4.25	5.95	3.00
Sprint	46.94	46.94	40.99	unlimited	0.10	5.95	0.07	included	na	na	na	na		na	na	na	Na
Vonage (1)	24.99	24.99	24.99	unlimited	0.04	0.00	0.04	included	incl	incl		incl		na	incl	na	na
Comcast	31.95	32.95	13.00	unlimited	0.07	3.95	0.07	16.00	incl	incl	na	na		na	na	na	Na
Cox	22.09	25.74	9.99	unlimited	0.05	0.00	0.10	12.10	6.15	3.20	3.20	3.20		4.95	3.20	3.20	3.20
Earthlink (1)	34.99	34.99	34.99	unlimited	0.00	0.00	0.00	included	incl	incl		incl		incl	incl	incl	incl
Cablevision	34.95	34.95	34.95	unlimited	0.00	0.00	0.00	included	incl	incl	incl	incl		na	na	na	Na

(1) Vonage Plan Includes 500 minutes of interLATA LD per month.

(2) Earthlink plan requires subscription to Earthlink High Speed Internet (DSL).

Source: Company reports, Banc of America Securities LLC estimates.

Unlimited Voice Pricing Plan Comparison- Company Home State

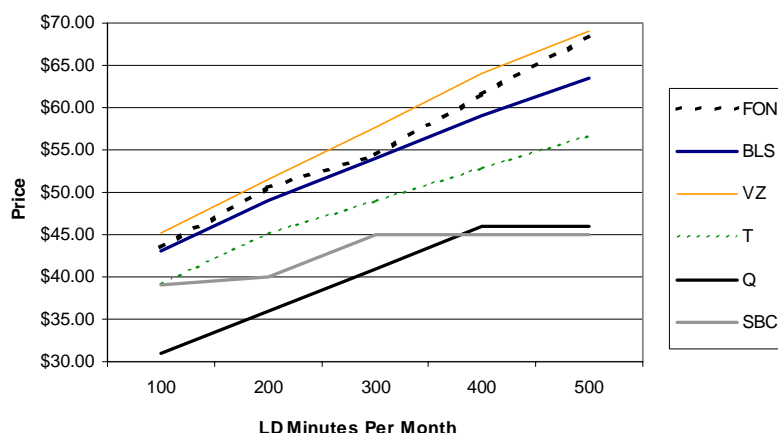
Company	Total	Call ID	Call Wait	3- Way	Call Fwd	Voice Mail	Call Block	Priv	Comments
ATT Unlimited – NJ	37.45	X	X	X					Choice of 3 (Call Wait, Call Fwd, Spd Dial, Call Ret, Repeat dial, and 3-way)
Cox	48.75	X	X						Unlimited LD to other AT&T customers (\$0.07/min LD calls to non-AT&T cust)
Earthlink	34.99	X	X		X	X	X		Also includes call return, priority ringing, and long distance alert
Vonage	34.99	X	X		X	X	X		Includes repeat dialing, call transfer, and free calls to Canada
SBC	48.95	X	X	X		X			Includes repeat dialing, call transfer, and free calls to Canada
ATT Unlimited - NY	52.40	X	X	X					Includes free inside wire maintenance coverage
BellSouth	54.99	X	X	X	X	X		X	Unlimited LD to other AT&T customers (\$0.07/min LD calls to non-AT&T cust)
Verizon	59.95	X	X	X		X			All features included
MCI Neighborhood	49.99	X	X	X	X	X			Free Calls to Canada. Also includes speed dial
Qwest	45.99	X	X	X	X	X			
Sprint	55.99	X	X	X	X	X			1yr service agreement (Includes speed dial)
ATT One Rate USA-NY	54.95	X	X	X	X		X	X	Includes speed dial
ATT One Rate USA-NJ	49.95	X	X	X	X		X	X	Choice of 4 features from list of 12 features
Comcast	49.95	X	X	X	X	X	X	X	Choice of 4 features from list of 12 features
Cablevision	34.95	X	X	X	X				LD alert included
									Includes call return, no number portability

Source: Company reports, Banc of America Securities LLC estimates.

Part II: Crossover Analysis of Unlimited vs. Per Minute LD Plans

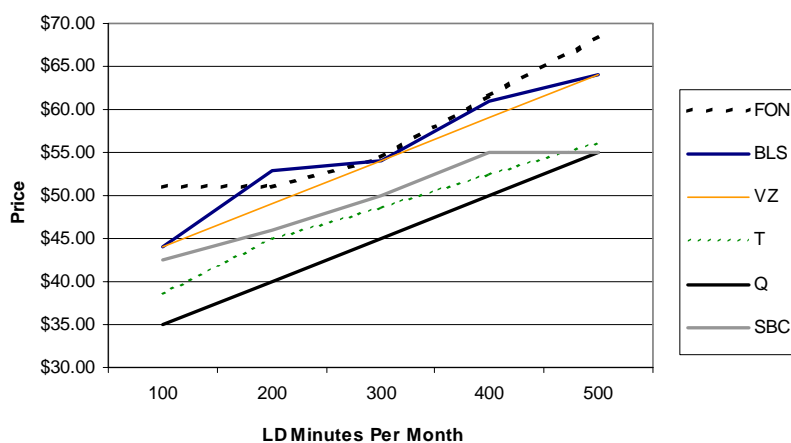
Every major carrier now offers an unlimited bundled long distance calling plan, but the attraction for the consumer can vary substantially. In the following analysis, we started by evaluating for each carrier what the most economical monthly charge would be for a range of long distance calling volumes (in 100 minute increments) from 100 to 1000 minutes. Certain plans offer different per minute rates for nights/days, weekday/weekend, interstate/intrastate calls. For these specific plans, we assumed 25% of calls were made during the day, 25% of calls were made during the week, 50% of calls were interLATA, and, for the AT&T plans, we assumed 25% of calls were made to other AT&T customers. For each volume level, we determined the lowest priced plan based on the available rates and compared that price level to the unlimited calling plan to determine the volume level at which the unlimited plan made economic sense for customers of each of the major telephone companies.

4Q03 Bundled Local and Per Minute Long Distance Plans By Carrier



Source: Company reports, Banc of America Securities LLC estimates.

3Q03 Bundled Local and Per Minute Long Distance Plans By Carrier



Source: Company reports, Banc of America Securities LLC estimates.

There have been some substantive downward shifts in the past quarter with respect to LD pricing. Verizon is the exception to this rule as over the past quarter the company has raised per minute prices for higher end customers presumably to incent a shift to its unlimited bundles. This occurred as a major \$0.05 per minute, no monthly fee promotion ended in October. BellSouth lowered pricing for some standalone LD customers through a meaningful plan simplification effort that took place. Comparing BLS in the two charts above, customer in the 200 and 400 minute range for instance will be paying less now than the previous cheapest BellSouth plan. Sprint has introduced a new low end plan which has lowered prices by adding more minutes to the monthly fee. SBC lowered prices across the board it appears while Qwest introduced a fairly unique pay per minute plan with a \$20 cap which lowers prices for high end users.

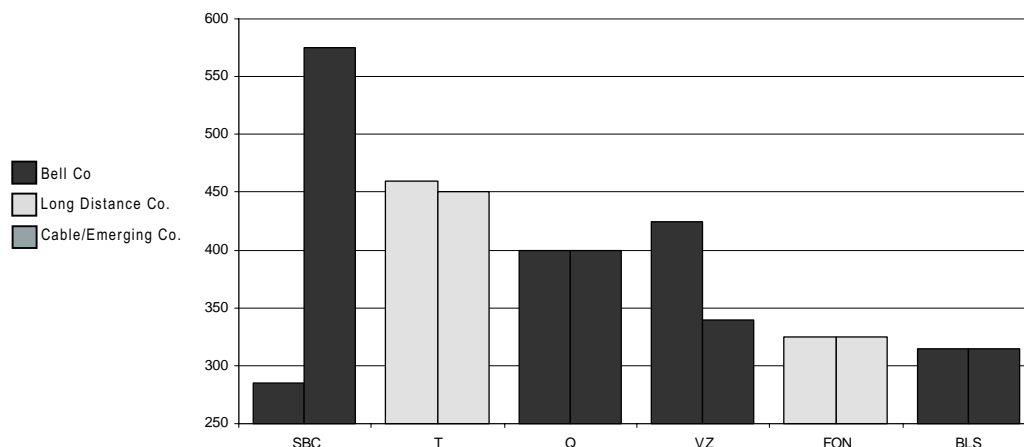
Pricing changes at the higher end can raise or lower the point where it makes sense for users to jump over to an unlimited plan. The net of the changes made over the past quarter has meant that SBC, by lowering per minute pricing, has actually made its unlimited bundle go from the most attractive to the least attractive relative to its available plans. We interpret this to mean that the company is shifting its LD emphasis to the lower end of the market rather trying to tie higher end customers to the bundle, perhaps figuring once on the bundle, they are less likely to jump back to a per minute plan. Verizon, in ending a key promotion and effectively raising rates, moved its crossover point down to 340 minutes per month.

Change in Bundled Local and Unlimited LD Crossover Point By Carrier

Bundled Local and Unlimited Voice Plan vs. Best Priced Rate Plans

3Q03 vs. 4Q03

(minutes of use)



Source: Company reports, Banc of America Securities LLC estimates.

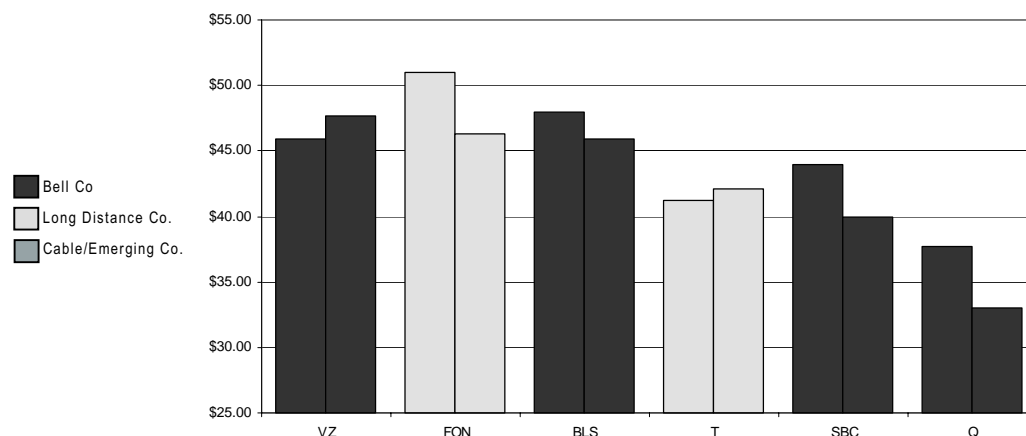
At the national monthly average MOU of 140 minutes, Verizon and Sprint have the highest priced plans and Qwest and SBC offer the lowest priced plans. This everyman pricing represents a shuffling of the standings last quarter where BellSouth was among the most expensive and AT&T was among the cheapest. According to data from TNS Telecoms, the average monthly minutes of use for households in its 25,000+ sample that made long distance or toll calls is currently 140.5 minutes. This data has been corroborated by our management meetings. At 140 minutes, Verizon's lowest priced basic local and long distance bill came to \$47.70 per month and SBC's cheapest plan totaled \$39.95. It is possible here to see the implications for the average user of the bundled pricing strategies that these two Bells are taking based on their responses to competitive entry in the local market.

Change in Monthly Cost at Lowest Priced Plan

At National Ave LD MOU (140 minutes)

3Q03 vs. 4Q03

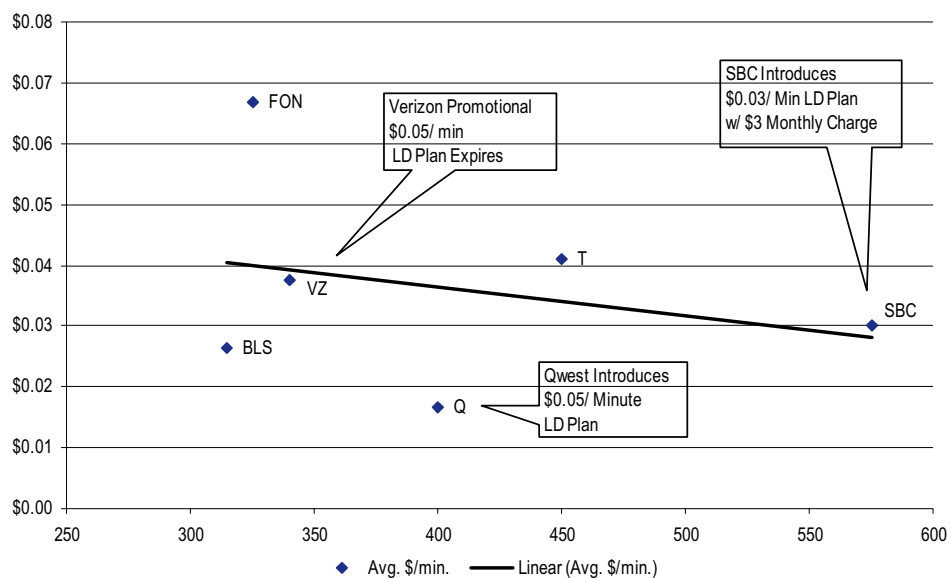
(\$)



Source: TNS Telecoms, www.tnstelecoms.com, company reports, Banc of America Securities LLC estimates.

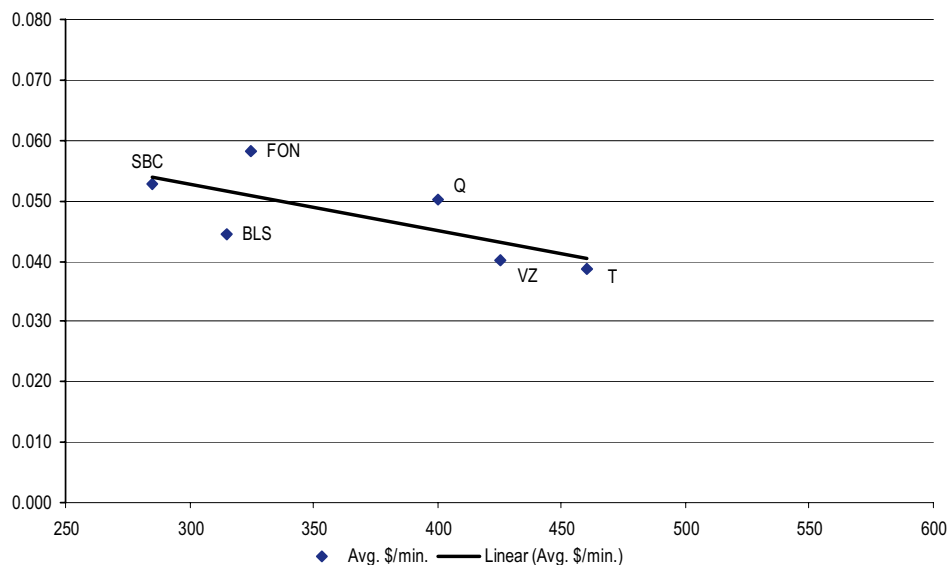
SBC has clearly emerged as the most competitive LD pricer in the market. In looking at the total local and long distance pricing of each of the carriers, we summed up the lowest priced plan at each 100 minute interval for each carrier to determine which carriers are pricing more aggressively. Based on this information, AT&T and now SBC appear to price their respective long distance calling plans low enough to keep customers out of the unlimited bundled package in the near term. Conversely, Sprint and BellSouth appear to price their respective calling plans high enough to make the bundled offering more attractive. We find it particularly interesting that AT&T and Sprint are still lining up on opposite sides of the ball on long distance pricing while both companies are fighting Bell entry into their existing customer bases. AT&T appears to be interested in maintaining its scale and base in current form while Sprint appears to be profit maximizing and encouraging migration to the bundle more aggressively.

Cost Per LD Minute Across Minute Plans vs. Unlimited LD Crossover Point 4Q03



Source: Company reports, Banc of America Securities LLC estimates.

Cost Per LD Minute Across Minute Plans vs. Unlimited LD Crossover Point 3Q03



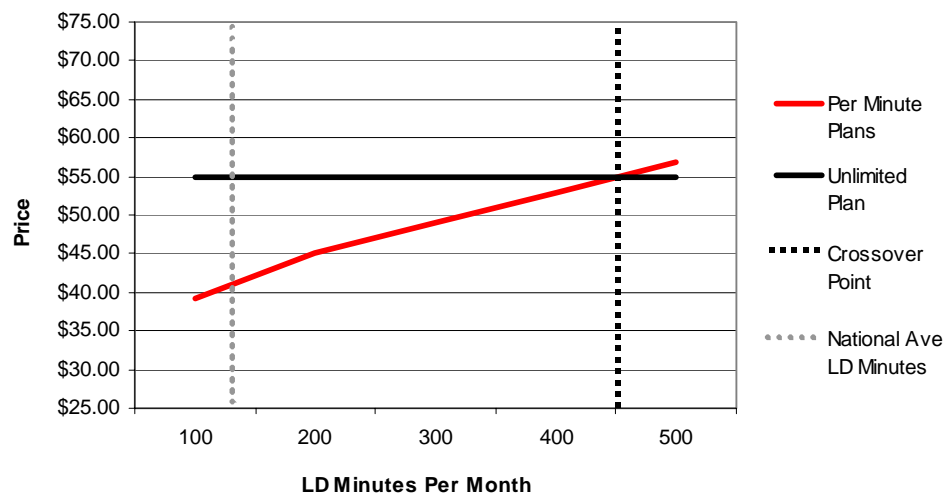
Source: Company reports, Banc of America Securities LLC estimates.

This page intentionally left blank

Crossover Analysis By Carrier

AT&T

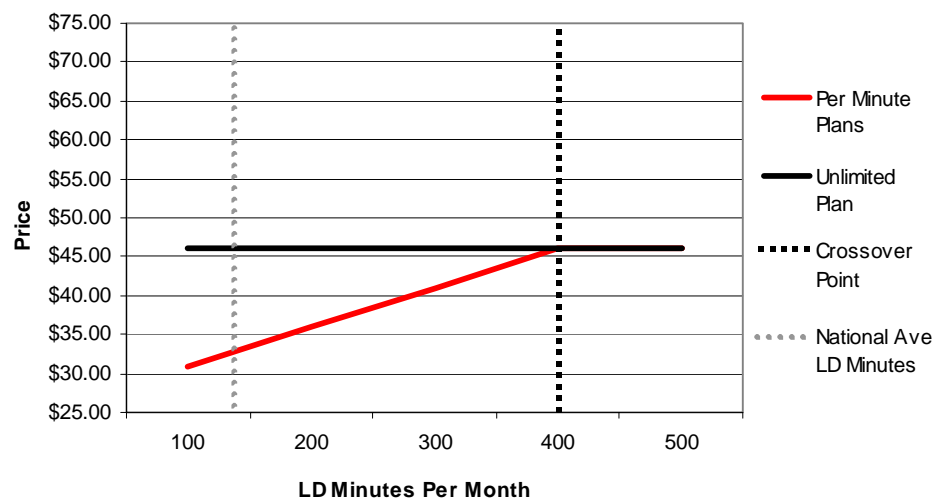
Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

Qwest

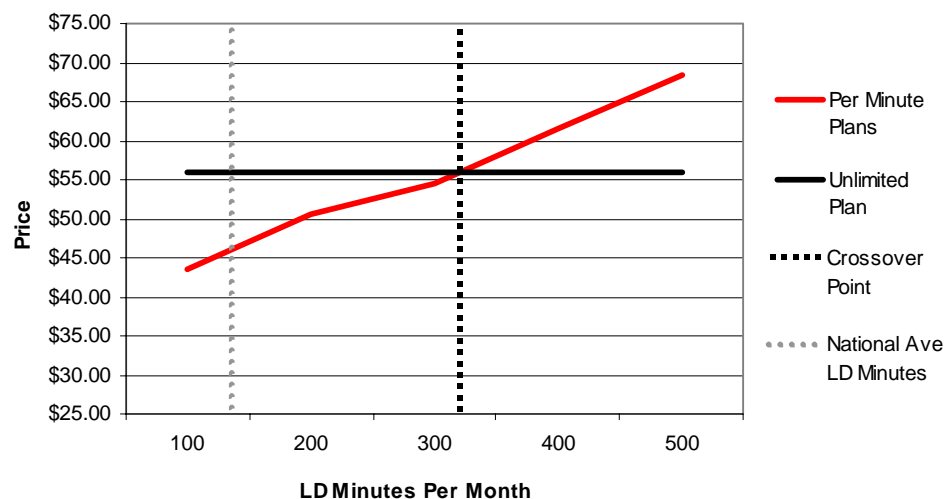
Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

Sprint FON Group

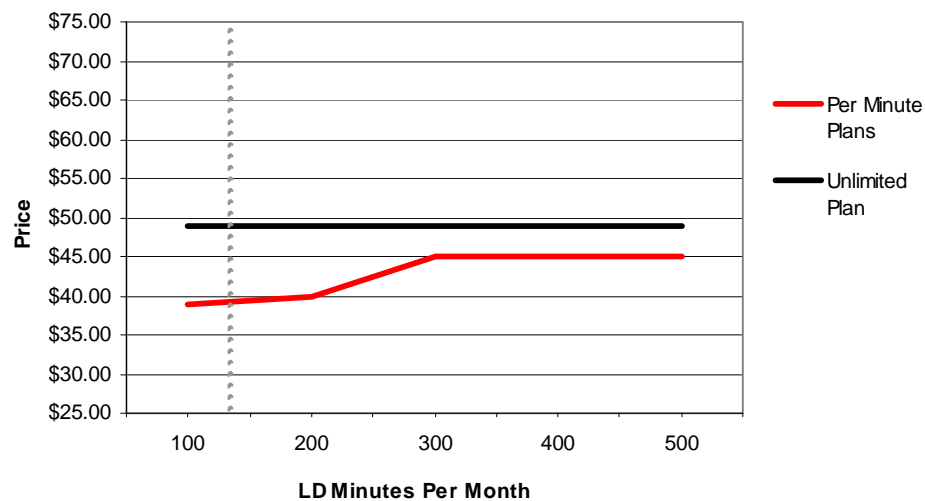
Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

SBC

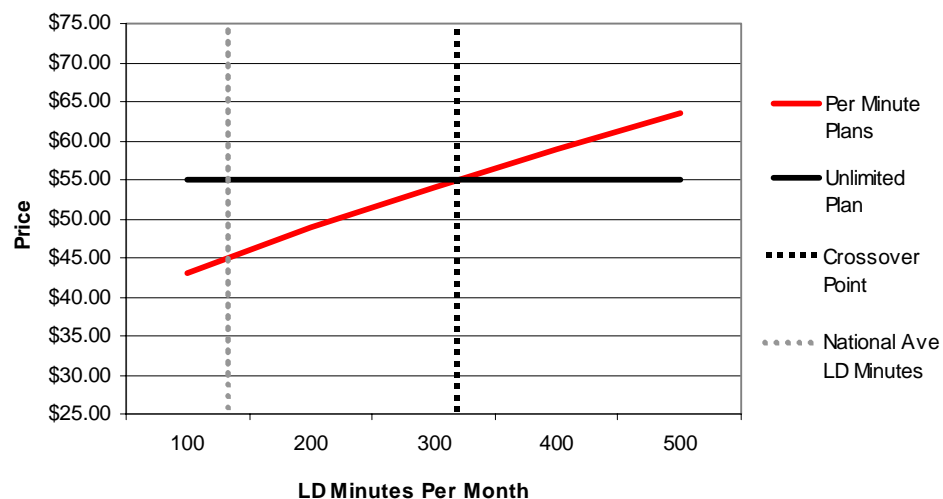
Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

BellSouth

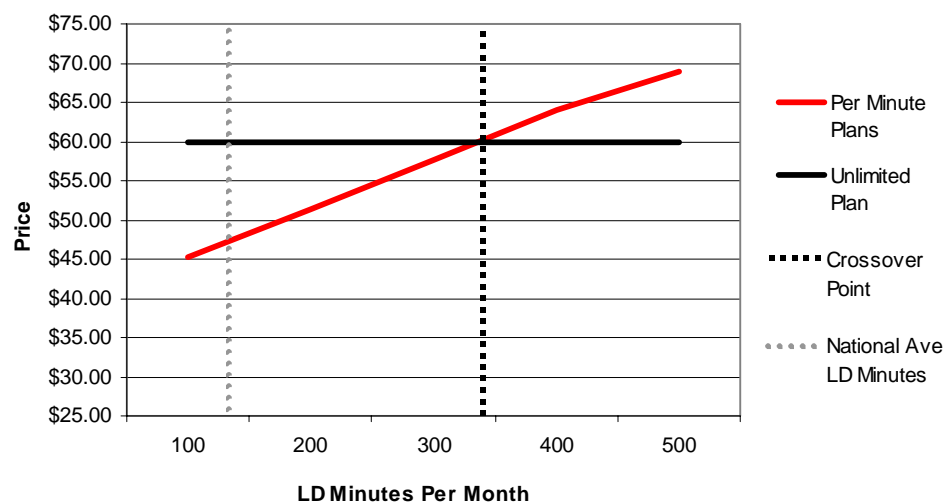
Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

Verizon

Unlimited Plan vs. Best Priced Per Minute Plan



Source: Company reports, Banc of America Securities LLC estimates.

Part III: Pricing Analysis by Carrier

AT&T Corporation

A la carte. AT&T currently offers a basic local line for \$19.95. Pricing for the three vertical services found in most bundles on an ala carte basis is as follows: \$7.95 for caller ID, \$4.95 for call waiting, \$3.95 for 3-way calling, and \$3.95 for call forwarding. With a basic long distance package of \$3.95 per month, customers pay \$0.07 per minute for long distance service. The total price for this a la carte local and basic long distance services package is \$40.75.

Bundled local calling plans. AT&T currently offers an unlimited local voice plan for \$19.95. In New Jersey, the local package includes caller ID and two additional vertical service offerings from a list of six basic services (call waiting, speed dial 30, call forwarding, call return, repeat dialing, and three way calling). Callers can add additional vertical services for an additional fee. In New York, AT&T offers the same \$19.95 unlimited local voice plan, but charges \$12.50 for a package of vertical services (caller ID, call waiting, and three-way calling). Additional vertical services may also be added for an additional fee. In addition, AT&T offers New York residential customers extended local calling, which includes regional toll calling, for an additional \$5.00 per month. For our analysis, we assumed the bundled local package of \$19.95 and the \$12.50 package for three vertical services offered in New York, and the \$3.95 basic long distance package for a total cost for the bundle calling plan of \$36.40, an \$4.35 discount to the a la carte total.

Long distance calling plans. AT&T offers numerous consumer long distance calling plans. AT&T's lowest priced long distance plan is \$3.95 per month for \$0.07 per minute intraLATA and interLATA calling. AT&T's next priced plan offers \$0.10 per minute calling any time with no monthly charge, but a \$5 minimum usage per month. AT&T's \$0.05 night plan also has no monthly charge but the same \$5 minimum per month and offers \$0.05 per minute interLATA long distance calling every night (7pm to 7am), \$0.10 per minute calling every day (7pm to 7am), and varying intraLATA calls based on state rates (\$0.10 in New York/\$0.14 in New Jersey) any time. The \$0.05 night plan requires online billing.

Unlimited local and long distance calling plans. For higher volume callers, AT&T offers two unlimited plans. The first, AT&T Unlimited, gives callers unlimited interLATA and intraLATA calling to other AT&T long distance subscribers and \$0.07 per minute calls to all non-AT&T long distance subscribers. The second plan is the AT&T One Rate USA plan that offers unlimited local and long distance calling for \$49.95 per month in New Jersey and \$54.95 in New York.

Additional bundled plans. AT&T offers three additional bundled offerings for Internet access. AT&T WorldNet is \$16.95, with the first month free. Standard DSL service (384 kbps upstream/ 128 kbps downstream) is \$39.95 per month with the first three months at \$19.95. The high speed DSL service preferred is \$49.95 (1.5 mbps upstream/ 128 kbps downstream) with the first three months at \$29.95. In combination with AT&T One Rate USA, the bundled prices are \$70.49 with dial up Internet access, \$89.90 for standard DSL, and \$99.90 for high speed DSL.

Banc of America Securities

AT&T Selected Price Plans

4Q03

Offering	Total Price	Local Per Min	Price		day/weekday Interstate \$/min.	Night/Weekend Interstate \$/min.	DSL/Internet	Features price	Call ID	Call Wait	3-Way Call	Comments
			Local MRC	LD MRC								
Local service								12.50	X	X	X	
+ One Rate .07 plan	36.40	Unlimited	19.95	3.95	0.07	0.07		12.50	X	X	X	
+ .05 Night plan	37.45	Unlimited	19.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ One Rate .10 plan	37.45	Unlimited	19.95		0.10	0.10		12.50	X	X	X	\$5 Min. LD
Expanded Local Service												
+ One Rate .07 plan	41.40	Unlimited	24.95	3.95	0.07	0.07		12.50	X	X	X	
+ .05 Night plan	42.45	Unlimited	24.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ One Rate .10 plan	42.45	Unlimited	24.95		0.10	0.10		12.50	X	X	X	\$5 Min. LD
AT&T WorldNet	70.49	Unlimited	19.95	22.50			15.54	12.50	X	X	X	
AT&T DSL Service	89.90	unlimited	19.95	22.50			34.95	12.50	X	X	X	
AT&T DSL Service Pref	99.90	unlimited	19.95	22.50			44.95	12.50	X	X	X	

Source: Company reports, Banc of America Securities LLC estimates.

AT&T Selected Price Plans

3Q03

Offering	Total Price	Local Per Min	Price		day/weekday Interstate \$/min.	Night/Weekend Interstate \$/min.	DSL/Internet	Features price	Call ID	Call Wait	3-Way Call	Comments
			Local MRC	LD MRC								
Local service												
+ One Rate .07 plan	37.40	unlimited	19.95	4.95	0.07	0.07		12.50	X	X	X	
+ .05 Night plan	37.45	unlimited	19.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ .05 Weekend plan	37.45	unlimited	19.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ One Rate .10 plan	37.45	unlimited	19.95		0.10	0.10		12.50	X	X	X	\$5 Min. LD
Expanded Local Service												
+ One Rate .07 plan	42.40	unlimited	24.95	4.95	0.07	0.07		12.50	X	X	X	
+ .05 Night plan	42.45	unlimited	24.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ .05 Weekend plan	42.45	unlimited	24.95		0.10	0.05		12.50	X	X	X	\$5 Min. LD
+ One Rate .10 plan	42.45	unlimited	24.95		0.10	0.10		12.50	X	X	X	\$5 Min. LD
AT&T WorldNet	70.49	Unlimited	19.95	22.50			15.54	12.50	X	X	X	
AT&T DSL Service	89.90	unlimited	19.95	22.50			34.95	12.50	X	X	X	
AT&T DSL Service Pref0	99.90	unlimited	19.95	22.50			44.95	12.50	X	X	X	

Source: Company reports, Banc of America Securities LLC estimates.

BellSouth Corporation

A la carte. BellSouth currently offers a basic local line for \$15.40 in Georgia. Pricing for the four vertical services found in most bundles on an ala carte basis is as follows: \$7.95 for caller ID, \$6.50 for call waiting, \$5.00 for 3-way calling (a decrease from \$6.00 in September), and \$4.00 for call forwarding (a decrease from \$6.00 in September). With a basic long distance package of \$4.95 per month, customers pay \$0.05 per minute for long distance service (a decrease from \$0.07 in September). The total price for this a la carte local and basic long distance services package is \$43.85.

Bundled local calling plans. BellSouth currently offers an unlimited local voice plan for \$34.00. The local package includes all vertical service offerings from a list of twenty-three basic services. There is no fee to add and/or remove vertical services. The bundled local package of \$34.00 plus the \$4.95 basic long distance package yields a total cost for the bundled calling plan of \$38.95, a \$4.85 discount to the a la carte total.

Long distance calling plans. BellSouth has simplified its long distance calling plans, removing some of the higher block of minutes plans. For simplicity, we assumed the local package of \$34.00. BellSouth's lowest priced long distance plan is its basic plan, which carries no monthly fee and offers long distance rates of \$0.18 per minute (an increase from \$0.14 per minute offered in September). BellSouth offers a fixed rate of \$0.10 per minute for long distance for a monthly fee of \$1.00 and a fixed rate of \$0.05 for \$4.95 per month. The Talk 30 plan includes 30 minutes of long distance for a minimum monthly fee of \$2.95 (\$0.098 per minute), with additional long distance calls at a rate of \$0.09 per minute (a decrease from \$0.12 per minute offered in September). BellSouth's Talk 60 plan is \$5.95 per month (\$0.099 per minute) and includes 60 minutes, with additional long distance calls at \$0.08 (a decrease from \$0.10 per minute offered in September).

Unlimited local and long distance bundled calling plans. BellSouth Unlimited gives callers unlimited interLATA and intraLATA calling for \$20.99 (an increase from \$19.99 per month in September). Unlimited Answers includes unlimited local service, all vertical services, and unlimited long distance for \$54.99.

BellSouth DSL Discount by Bundle (in Georgia)

		DSL Price/Discount In Bundles:		
DSL Service	Base Price	Preferred Pack	Complete Choice	Unlimited LD Plan
DSL Price				
FastAccess DSL Lite	\$39.95	\$37.95	\$34.95	\$29.95
FastAccess DSL	\$49.95	\$47.95	\$44.95	\$39.95
DSL Discount from Base Price				
FastAccess DSL	-	\$2.00	\$5.00	\$10.00
FastAccess DSL	-	\$2.00	\$5.00	\$10.00

Source: Company reports, Banc of America Securities LLC estimates.

Additional bundled plans. BellSouth also offers a line of "Answers" bundles that combine local, long distance, DSL and Wireless. All Answers products include unlimited local service, all vertical services, and unlimited long distance, which is the basic Unlimited Answers product for \$54.99. Consumers can add one of five main bundles of services to the Unlimited Answers product. The \$59.94 Internet Answers Premier adds dial up internet service. The \$79.95 Internet Answers Premier adds basic DSL service. The \$89.93 Ultimate Answers Premier adds dial up Internet and a basic wireless plan. The \$152.89 Ultimate Answers Premier adds basic DSL and a basic wireless plan.

Banc of America Securities

BellSouth Selected Price Plans 4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL/ Dial	Features price	Call ID	Call Wait	3-Way Call	Wire less	Comments
Complete Choice	34.00	34.00	unlimited				included	X	X	X		Includes all 23 Vert. Serv
+Basic Plan	34.00	34.00	unlimited	0.00	0.18		included	X	X	X		Includes all 23 Vert. Serv
+Fixed Rate Plan	35.00	34.00	unlimited	1.00	0.10		included	X	X	X		Includes all 23 Vert. Serv
+Nickel Value Plan	38.95	34.00	unlimited	4.95	0.05		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 30 plan	36.95	34.00	unlimited	2.95	0.09		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 60 plan	39.95	34.00	unlimited	5.95	0.08		included	X	X	X		Includes all 23 Vert. Serv
Value Answers	39.90	34.00	Unlimited	3.95	0.07		included	X	X	X		Includes all 23 Vert. Serv
Unlimited Answers	54.99	34.00	unlimited	20.99			included	X	X	X		Includes all 23 Vert. Serv
Int. Answers Adv w/ dial	47.90	34.00	unlimited	3.95	0.07	9.95	included	X	X	X		Includes all 23 Vert. Serv
Int. Answers Prem w/ dial	59.94	34.00	unlimited	20.99		4.95	included	X	X	X		Includes all 23 Vert. Serv
Int. Answers Adv w/ dsl	67.08	34.00	unlimited	3.95	0.07	29.13	included	X	X	X		Includes all 23 Vert. Serv
Int. Answers Prem w/ dsl	79.95	34.00	unlimited	20.99		24.96	included	X	X	X		Includes all 23 Vert. Serv
Ult. Answers Adv w/ dial	82.89	34.00	unlimited	3.95	0.07	9.95	included	X	X	X	34.99	Includes all 23 Vert. Serv
Ult. Answers Prem w/ dial	89.93	34.00	unlimited	20.99		4.95	included	X	X	X	29.99	Includes all 23 Vert. Serv
Ult. Answers Adv w/ dsl	102.07	34.00	unlimited	3.95	0.07	29.13	included	X	X	X	34.99	Includes all 23 Vert. Serv
Ult. Answers Prem w/ dsl	109.94	34.00	unlimited	20.99		24.96	included	X	X	X	29.99	Includes all 23 Vert. Serv

Source: Company reports, Banc of America Securities LLC estimates.

BellSouth Selected Price Plans 3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL/ Dial	Features price	Call ID	Call Wait	3-Way Call	Wire less	Comments
Complete Choice	34.00	34.00	unlimited				included	X	X	X		Includes all 23 Vert. Serv
+ Talk 30 plan	36.95	34.00	unlimited	2.95	0.12		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 60 plan	39.95	34.00	unlimited	5.95	0.10		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 300 plan	53.95	34.00	unlimited	19.95	0.07		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 600 plan	63.95	34.00	unlimited	29.95	0.06		included	X	X	X		Includes all 23 Vert. Serv
+ Talk 1000 plan	83.95	34.00	unlimited	49.95	0.05		included	X	X	X		Includes all 23 Vert. Serv
Value Answers	39.90	34.00	unlimited	3.95	0.07		included	X	X	X		Includes all 23 Vert. Serv
Data Answers	53.90	34.00	unlimited	3.95	0.07	15.95	included	X	X	X		Includes all 23 Vert. Serv
Data Plus Answers	82.95	34.00	unlimited	3.95	0.07	45.00	included	X	X	X		Includes all 23 Vert. Serv
Premium Answers	91.89	34.00	unlimited	37.99		15.95	included	X	X	X		Includes all 23 Vert. Serv
Premium Answers Plus	120.94	34.00	unlimited	37.99		45.00	included	X	X	X		Includes all 23 Vert. Serv
Unlimited Answers	54.99	34.00	unlimited	unlimited			included	X	X	X		Includes all 23 Vert. Serv
Data Answers Unlim	70.94	34.00	unlimited	unlimited		15.95	included	X	X	X		Includes all 23 Vert. Serv
Data Plus Answers Unlim	99.99	34.00	unlimited	unlimited		45.00	included	X	X	X		Includes all 23 Vert. Serv
Prem Answers Unlim	108.93	34.00	unlimited	unlimited		15.95	included	X	X	X		Includes all 23 Vert. Serv
Prem Answers Plus Unlim	137.98	34.00	unlimited	unlimited		45.00	included	X	X	X		Includes all 23 Vert. Serv

Source: Company reports, Banc of America Securities LLC estimates.

SBC Communications

A la carte. SBC currently offers a basic local line for \$16.82 in Texas. Pricing for the four vertical services found in most bundles on an a la carte basis is as follows: \$9.50 for caller ID, \$2.80 for call waiting, \$5.00 for 3-way calling, and \$5.00 for call forwarding. Customers can get a basic long distance package and pay \$0.07 per minute for long distance service with no monthly fee. The total price for this a la carte local and basic long distance services package is \$39.12.

Bundled local calling plans. SBC currently offers an unlimited local voice plan for \$34.95. The local package includes call waiting, call waiting ID, 3-way calling, call forwarding, caller ID, and voice mail. Additional vertical services can be added at an additional cost. The total cost for the bundled local package of \$34.95 plus the basic long distance package is \$34.95, a \$4.17 discount to the a la carte total.

Long distance calling plans. SBC offers numerous consumer long distance calling plans to meet a wide range of customer needs. For simplicity, we assumed the local package of \$34.95. SBC's long distance plans start with Just Call Three Cents, which gives callers \$0.03 per minute on interLATA and intraLATA calls (a decrease from \$0.07 per month in September) for a flat rate of \$3.00 per month. Customers can get a basic long distance package and pay \$0.07 per minute for long distance service with no monthly fee. The SBC Value Plus 60 plan is \$2.00 per month and includes up to 60 minutes of long distance (\$0.033 per minute), with additional long distance calls at a rate of \$0.05 per minute. The SBC Value Plus 200 plan is \$5.00 per month and includes up to 200 minutes of long distance (\$0.025 per minute), with additional long distance calls at a rate of \$0.05 per minute. The SBC Value Plus 500 plan is \$10.00 per month and includes up to 500 minutes of long distance (\$0.02 per minute), with additional long distance calls at a rate of \$0.05 per minute.

Unlimited local and long distance bundled calling plans. All Distance Connections gives callers unlimited local, interLATA and intraLATA calling for \$48.95 per month including the most popular vertical services such as CallNotes Plus, Caller ID, Call Waiting, Call Waiting ID, three-way Calling and InLine inside wire maintenance.

Additional bundled plans. SBC offers several additional bundled offerings for wireless and DSL. The DSL Web Solutions plan includes local and DSL for \$89.90. The Total Connections plan includes local, DSL (or dial up), and wireless for \$95.00 per month. Both plans require the customer to chose from the various long distance calling plans.

Banc of America Securities

SBC Selected Price Plans

4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL	Features price	Call ID	Call Wait	3-Way Call	Call Fwd	Voice Mail	Speed Dial	Call Block	Priv
Essential Phone Solutions															
+Just call 3 cents	37.95	34.95		3.00	0.03			X	X	X	X	X			
+Value Plus 500	44.95	34.95		10.00	0.05			X	X	X	X	X			
+Value Plus 200	39.95	34.95		5.00	0.05			X	X	X	X	X			
+Value Plus 60	36.95	34.95		2.00	0.05		incl	X	X	X	X	X			
+Value Plus Flat Rate	34.95	34.95		0.00	0.07		incl	X	X	X	X	X			
Local Plus															
+ Just call 3 cents	50.95	32.95		3.00	0.03		15.00	X	X	X	X	X			
+ Value Plus 500	57.95	32.95		10.00	0.05		15.00	X	X	X	X	X			
+ Value Plus 200	52.95	32.95		5.00	0.05		15.00	X	X	X	X	X			
+ Value Plus 60	49.95	32.95		2.00	0.05		15.00	X	X	X	X	X			
+ Value Plus Flat Rate	47.95	32.95		0.00	0.07		15.00	X	X	X	X	X			
Essential Phone Solutions	37.95	34.95		3.00	0.07		incl	X	X	X	X	X			
All Distance Connections	48.95	34.95		14.00			incl	X	X	X	X	X			
DSL Web Solutions	89.90	89.90		2.00	0.03	26.95	incl	X	X	X	X	X			
Total Connections	95.00	95.00		2.00	0.03	26.95	incl	X	X	X	X	X			

Source: Company reports, Banc of America Securities LLC estimates.

SBC Selected Price Plans

3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL	Features price	Call ID	Call Wait	3-Way Call	Call Fwd	Voice Mail	Speed Dial	Call Block	Privacy
Local Plus + discount LD															
+ Domestic Saver Gold	34.95	31.95		3.00	0.10		incl	X	X	X	X	X			
+ 200 Block of Time @.06	43.95	31.95		12.00	0.07		incl	X	X	X	X	X			
+ 500 Block of Time @.04	51.95	31.95		20.00	0.08		incl	X	X	X	X	X			
Local Plus + Nationwide LD															
+ Domestic Saver Gold	36.90	31.95		4.95	0.07		incl	X	X	X	X	X			
+ Long Distance	31.95	31.95			0.10 / 0.11		incl	X	X	X	X	X			
+ 200 Block of Time @ \$0.07	45.95	31.95		14.00	0.08		incl	X	X	X	X	X			
+ 300 Block of Time @ \$0.06	49.95	31.95		18.00	0.06		incl	X	X	X	X	X			
+ 500 Block of Time @ \$0.05	56.90	31.95		24.95	0.07		incl	X	X	X	X	X			
Essential Phone Solutions	37.95	34.95		3.00	0.07		incl	X	X	X	X	X			
All Distance Connections	48.95	31.95		17.00			incl	X	X	X	X	X			
DSL Web Solutions	92.90	89.90		3.00	0.07		incl	X	X	X	X	X			
Total Connections	98.00	95.00		3.00			incl	X	X	X	X	X			

Source: Company reports, Banc of America Securities LLC estimates.

Verizon Communications

A la carte. Verizon currently offers a base local voice line for \$16.34 in New York. Pricing for the four vertical services found in most bundles on an a la carte basis is as follows: \$7.99 for caller ID, \$7.50 for call waiting (a decline from \$7.99 in September), \$4.25 for 3-way calling, and \$4.25 for call forwarding. With a basic long distance package of \$5.95 per month, customers pay \$0.05 per minute for long distance service. The total price for this a la carte local and basic long distance services package is \$46.25.

Bundled local calling plans. Verizon offers an unlimited local voice plan with a choice of 3 vertical services for \$35.95 and with 4 or more vertical services for \$38.95. For comparison purposes in this analysis, we used the \$38.95 package as our base plan. The total cost for the bundled local package of \$38.95 plus the \$5.95 basic long distance package is \$44.90, a \$1.38 discount to the a la carte total.

Long distance calling plans. Verizon offers the largest number of long distance calling plans of all the telephone companies, offering plans that fit almost any calling profile. For Verizon's long distance offerings, for simplicity, we grouped the long distance packages with two local calling plans—the Local Package Unlimited at \$38.95 and the Local Package Plus (which extends the local area) at \$54.95. To each of these local plans, Verizon long distance customers have numerous long distance calling choices, the main group of which we look at here. The e-valuesSM plan (no monthly fee) offers \$0.05/minute on weekends and \$0.10/minute weekdays. The five cents plan offers \$0.05/minute interLATA and \$0.07/minute intraLATA long distance calling for \$5.95 per month. Finally, Verizon offers blocks of 30 minutes (\$3/month) and \$0.10 per additional minute, 300 minutes (\$21/month) and \$0.08 per additional min, 500 minutes (\$30/month) and \$0.06 per additional minute, and 1000 minutes (\$39.95/month) and \$0.05 per additional minute.

Unlimited local and long distance calling plans. The Variations Freedom plan offers unlimited local, interLATA and intraLATA calling for \$59.95 per month including voice mail, caller ID, call waiting, 3-way calling, and speed dial. Unlimited local directory assistance and add additional vertical services can be added for \$3 per month.

Additional bundled plans. Verizon offers various bundles of local, vertical services, long distance, DSL, and wireless through its Freedom packages. Freedom All includes local, interLATA and intraLATA long distance calling, a choice of calling features, DSL and Wireless for \$122.39. Freedom with wireless includes local, interLATA and intraLATA long distance calling, a choice of calling features, and Wireless for \$94.94 per month. Freedom with DSL includes local, interLATA and intraLATA long distance calling, a choice of calling features, and DSL for \$87.40 per month. Freedom Options starts at the basic local rate of \$38.95 and allows customers to add any combination of features and products, such as DSL and wireless. In all the Freedom bundles, pricing can vary based on choice of DSL or wireless.

Banc of America Securities

Verizon Communications Selected Price Plans

4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	LD (Intra) (day/wk) \$/min	LD (Inter) (night/wknd) \$/min	DSL	Features Price	Call ID	Call Wait	3-Way Call	Call Fwd	Voice Mail	Spd Dial	Call Blk	Call Ret	Rep Dial
Local Service Options																	
unlimited local calling	24.95	24.95	unlim					None									
Local Package Standard	35.95	35.95	unlim					3 Included	X	X	X	X	X	X	X	X	X
Local Package	38.95	38.95	unlim					4 Included	X	X	X	X	X	X	X	X	X
Local Package Basic	44.95	44.95	unlim					5 included	X	X	X	X	X	X	X	X	X
local package plus	54.95	54.95	unlim					All included	X	X	X	X	X	X	X	X	X
Local Package Unlimited	38.95	38.95	unlim					4 included	X	X	X	X	X	X	X	X	X
+ E-values (weekend/day)	38.95	38.95	unlim	0.00		0.10	0.05	4 included	X	X	X	X	X	X	X	X	X
+ Five Cents Plan	44.90	38.95	unlim	5.95		0.07	0.05	4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 30	41.95	38.95	unlim	3.00	0.10			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 300	59.95	38.95	unlim	21.00	0.08			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 500	68.95	38.95	unlim	30.00	0.06			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 1000	78.90	38.95	unlim	39.95	0.05			4 included	X	X	X	X	X	X	X	X	X
Local Package Plus	54.95	54.95	unlim					4 included	X	X	X	X	X	X	X	X	X
+ E-values (weekend/day)	54.95	54.95	unlim	0.00		0.10	0.05	4 included	X	X	X	X	X	X	X	X	X
+ Five Cents Plan	60.90	54.95	unlim	5.95		0.07	0.05	4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 30	57.95	54.95	unlim	3.00	0.10			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 300	75.95	54.95	unlim	21.00	0.08			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 500	84.95	54.95	unlim	30.00	0.06			4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 1000	94.90	54.95	unlim	39.95	0.05			4 included	X	X	X	X	X	X	X	X	X
Veriations Freedom	59.95	59.95	unlim					Included	X	X	X	X	X	X	X	X	X
Veriations Freedom All	122.39	59.95	unlim				27.45	included	X	X	X	X	X	X	X	X	X
Veriations Freedom w DSL	87.40	59.95	unlim				27.45	included	X	X	X	X	X	X	X	X	X
Veriations Freedom w wireless	94.94	59.95	unlim					included	X	X	X	X	X	X	X	X	X
Veriations Freedom Options	38.95	38.95	unlim				incl	included	X	X	X	X	X	X	X	X	X

Source: Company reports, Banc of America Securities LLC estimates.

Verizon Communications Selected Price Plans
3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	LD \$/min	LD(Intra) (day/wk) \$/min	LD(Inter) (night/wknd) \$/min	DSL	Features Price	Call ID	Call Wait	3-Way Call	Call Fwd	Voice Mail	Spd Dial	Call Blk	Call Ret	Rep Dial
unlimited local calling (new promotion)		24.95	unlim						None									
+\$0.05 min regional and interLATA LD	24.95	24.95	unlim			0.05	0.05		None									
+\$0.05 min regional and interLATA LD	35.95	35.95	unlim			0.05	0.05		choice of 3	X	X	X	X	X	X	X	X	X
+\$0.05 min regional and interLATA LD	38.95	38.95	unlim			0.05	0.05		Included	X	X	X	X	X	X	X	X	X
+unlim regional and \$0.05 min interLATA LD	44.95	44.95	unlim			unlim	0.05		5 included	X	X	X	X	X	X	X	X	X
+unlim regional and \$0.05 min interLATA LD	54.95	54.95	unlim			unlim	0.05		included	X	X	X	X	X	X	X	X	X
Local Package Unlimited	38.95								4 included	X	X	X	X	X	X	X	X	X
+ E-values (weekend/day)	38.95	38.95	unlim			0.10	0.05		4 included	X	X	X	X	X	X	X	X	X
+ Best Times(night/weekend)	43.90	38.95	unlim	4.95	0.07	0.08	0.05		4 included	X	X	X	X	X	X	X	X	X
+ State Saver Plan	43.90	38.95	unlim	4.95		0.07	0.09		4 included	X	X	X	X	X	X	X	X	X
+ Timeless (30)	41.95	38.95	unlim	3.00	0.10				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 60	43.95	38.95	unlim	5.00	0.10				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 300	59.95	38.95	unlim	21.00	0.08				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 500	68.95	38.95	unlim	30.00	0.06				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 1000	78.90	38.95	unlim	39.95	0.05				4 included	X	X	X	X	X	X	X	X	X
Local Package Plus	55.03								4 included	X	X	X	X	X	X	X	X	X
+ E-values	54.95	54.95	unlim			0.10	0.05		4 included	X	X	X	X	X	X	X	X	X
+ Best Times	59.90	54.95	unlim	4.95		0.08	0.05		4 included	X	X	X	X	X	X	X	X	X
+ State Saver Plan (60 mins)	59.95	54.95	unlim	5.00		0.07	0.09		4 included	X	X	X	X	X	X	X	X	X
+ Timeless	57.95	54.95	unlim	3.00	0.10				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 60	59.95	54.95	unlim	5.00	0.10				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 300	75.95	54.95	unlim	21.00	0.08				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 500	84.95	54.95	unlim	30.00	0.06				4 included	X	X	X	X	X	X	X	X	X
+ Talk Time 1000	94.90	54.95	unlim	39.95	0.05				4 included	X	X	X	X	X	X	X	X	X
Variations Freedom	59.95		unlim						included	X	X	X	X	X	X	X	X	X
Variations Freedom Extra	62.95		unlim						included	X	X	X	X	X	X	X	X	X
Variations	84.95		unlim						included	X	X	X	X	X	X	X	X	X
Variations w/Internet	104.95		unlim						included	X	X	X	X	X	X	X	X	X
Variations w/DSL	114.95		unlim					incl	included	X	X	X	X	X	X	X	X	X
Variations w/Wireless	139.90		unlim					incl	included	X	X	X	X	X	X	X	X	X
Variations w/Wireless & Internet	142.99		unlim					incl	included	X	X	X	X	X	X	X	X	X
Variations w/Wireless and DSL	149.89		unlim					incl	included	X	X	X	X	X	X	X	X	X
Variations All	169.89		unlim					incl	included	X	X	X	X	X	X	X	X	X

Source: Company reports, Banc of America Securities LLC estimates.

Sprint FON Group

A la carte. Outside its local footprint, Sprint offers basic local service for \$40.99 per month with no additional vertical services available without taking a bundled long distance package. We note that Sprint does offer vertical services on an a la carte basis in its local territory, similar to the Bells. However, since our analysis is focused on national coverage plans. Since a large number of Sprint's 8 million access lines are in second and third tier rural areas and thus, are not representative of the competitive landscape in the consumer market. We looked at the offerings where Sprint provides Complete Sense packages.

Bundled calling plans. Sprint offers a basic bundled calling plan, Sprint Complete Sense 250, which includes unlimited local calling, a total of 250 minutes of long distance (interLATA or intraLATA) with four vertical services (Caller ID, Call Waiting, three-way Calling, and Speed Dial) for \$50.99. Additional interLATA and intraLATA long distance minutes are priced at \$0.07 per minute. Sprint added a second bundled calling plan, Complete Sense 50, which includes unlimited local calling, a total of 50 minutes of long distance (interLATA or intraLATA) with four vertical services (Caller ID, Call Waiting, three-way Calling, and Speed Dial) for \$39.99

Unlimited calling plans. Sprint Completed Sense unlimited includes unlimited local, interLATA and intraLATA domestic long distance along with the following seven vertical services—Caller ID, Call Waiting, Voicemail, Find-Me Call Forwarding, 3-Way Calling, Speed Dial 8, and Notify Me, a text alert system for voicemail and is priced at \$55.99.

Sprint FON Selected Price Plans 4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	Features price	Call ID	Call Wait	3-Way Call	Voice Mail	Speed Dial	Call Fwd	Comments
Sprint Complete Sense 50	39.99	unlim	unlim	Unlim	0.07	bundled	X	X	X		X		Incl 50 LD min
Complete Sense 250	50.99	unlim	unlim	unlim	0.07	bundled	X	X	X		X		Incl 250 LD min
Complete Sense Unlim	55.99	bundled	bundled	bundled		bundled	X	X	X	X	X	X	

Source: Company reports, Banc of America Securities LLC estimates.

Sprint FON Selected Price Plans 3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	Features price	Call ID	Call Wait	3-Way Call	Voice Mail	Speed Dial	Call Fwd	Comments
Complete Sense 250	50.99	unlim	unlim	unlim	0.07	bundled	X	X	X		X		Incl 250 LD min
Complete Sense Unlimited	55.99	bundled	bundled	bundled		bundled	X	X	X	X	X	X	

Source: Company reports, Banc of America Securities LLC estimates.

Qwest Communications

A la carte. Qwest currently offers a basic local line for \$14.96 in Colorado. Pricing for the four vertical services found in most bundles on an a la carte basis is as follows: \$6.95 for caller ID, \$4.50 for call waiting, \$3.50 for 3-way calling, and \$3.00 for call forwarding. With a basic long distance package customers pay \$0.05 per minute for long distance service, with no monthly charge. The total price for this a la carte local and basic long distance services package is \$32.91.

Bundled local calling plans. Qwest currently offers an unlimited local voice plan for \$25.99. The local package includes caller ID, call waiting ID, 3-way calling, and call forwarding. Additional vertical services can be added at an additional cost. The total cost for the bundled local package of \$25.99 plus the basic long distance package is \$25.99, a \$6.92 discount to the a la carte total.

Long distance calling plans. Qwest eliminated all of its consumer long distance calling plans, offering one simplified package. Qwest's new five cent per minute plan has no monthly fee and has a maximum monthly charge of \$20 for customers taking a local bundle and a maximum monthly charge of \$25 for all others.

Unlimited local and long distance bundled calling plans. Qwest offers an unlimited long distance plan with a maximum charge of \$25 per month to customers not on the Value Choice local bundle. For customers taking the \$25.99 Value Choice bundle of local and vertical services, Qwest offers its unlimited plan for \$20.00 per month (a decrease from \$25 in September), bringing the cost for unlimited local and long distance down \$5 from September to \$45.99 per month. Customers taking the unlimited local and long distance plan get unlimited local, interLATA and intraLATA calling and the most popular vertical services such as caller ID, call waiting, voice Mail, 3-way calling, and call forwarding.

Additional bundled plans. Qwest offers several additional bundled offerings for wireless and DSL. The bundle of the Value Choice unlimited local and long distance plus DSL package is \$72.98 per month.

Banc of America Securities

Qwest Communications Selected Price Plans 4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Intrastate \$/min.	Interstate \$/min	DSL	Features	Call ID	Call Wait	3-Way Calling	Call Fwd	Voice Mail	Speed Dial	Call Block	Comments
Value Choice	25.99															
Value Choice	25.99	25.99	unlimited	0.00	0.05	0.05			X	X	X	X	X		X	Max \$20 LD/ month
Value Choice + unlim	45.99	25.99	unlimited	20.00					X	X	X	X	X		X	
Value Choice + unlim + dsl	72.98	25.99	unlimited	20.00			26.99		X	X	X	X	X		X	

Source: Company reports, Banc of America Securities LLC estimates.

Qwest Communications Selected Price Plans 3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Intrastate \$/min.	Interstate \$/min	DSL	Features	Call ID	Call Wait	3-Way Calling	Call Fwd	Voice Mail	Speed Dial	Call Block	Privacy	Other	Comments
Basic	32.90	14.95	0.05					17.95	X	X	X	X						
+ .15 single rate plan	32.90	14.95	0.05	0.00	0.15	0.15		17.95	X	X	X	X						
+ .07 anywhere plan	35.85	14.95	0.05	2.95	0.07	0.07		17.95	X	X	X	X						
+ .05 anywhere plan	37.90	14.95	0.05	5.00	0.05	0.05		17.95	X	X	X	X						
+ unlimited long distance	67.85	14.95	0.05	34.95				17.95	X	X	X	X						
Value Choice		24.99	unlimited					included	X	X	X	X						
+ .15 single rate plan	24.99	24.99	unlimited	0.00	0.15	0.15		included	X	X	X	X						
+ .07 anywhere plan	27.94	24.99	unlimited	2.95	0.07	0.07	39.95	included	X	X	X	X						
+ .05 anywhere plan	29.99	24.99	unlimited	5.00	0.05	0.05		included	X	X	X	X						
Value Choice + unlim	49.99	24.99	unlimited	25.00				included	X	X	X	X						
Value Choice + .07 anywhere	27.94	24.99	unlimited	2.95	0.07	0.07		included	X	X	X	X						
Value Choice + unlim + DSL	84.98	24.99	unlimited	25.00				Included	X	X	X	X						
Preferred Choice		34.99	unlimited					included	X	X	X	X	X	X	X	X	X	
Pref. Choice + Unlim	59.99	34.99	unlimited	25.00				included	X	X	X	X	X	X	X	X	X	
Pref. Choice + .07 anywhere	37.94	34.99	unlimited	2.95	0.07	0.07		included	X	X	X	X	X	X	X	X	X	
Preferred Choice +unlim+ DSL	94.98	34.99	unlimited	25.00			39.95	included	X	X	X	X	X	X	X	X	X	

Source: Company reports, Banc of America Securities LLC estimates.

MCI

A la carte. MCI offers basic local service for \$29.99 (an increase from \$23.99 in September), which includes five vertical services (caller ID, call waiting, 3-way calling, voicemail, and speed dial). For an additional \$4.15 per month, customers can add call forwarding to get to the basic package offered currently by the peer group, bringing the total a la carte price to \$34.14. MCI offers a basic \$0.05 per minute long distance rate with this package.

Unlimited calling plans. The MCI Neighborhood Complete bundle includes unlimited local, calling, unlimited interLATA and intraLATA calling, and five vertical services (Caller ID, call waiting, call waiting ID, speed dial, and three-way calling) for \$49.99 per month in New York. Prices vary for the product based on the UNE-P rate in the state. (For example, the Neighborhood Complete in parts of Virginia is currently \$69.99).

Additional bundled plans. MCI Neighborhood Hispeed offers all the features of the Neighborhood complete and also offers DSL service for a total price of \$84.99 (a DSL price of \$35.00) in New York. (Again, the Neighborhood Hispeed in parts of Virginia is currently \$104.99).

MCI Selected Price Plans 4Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL	Features price	Call ID	Call Wait	3-Way Call	Voice Mail	Speed Dial	Call Block
Neighborhood Advantage	29.99	29.99	Unlimited		0.05		included	X	X	X			
Neighborhood Complete	49.99	49.99	Unlimited	unlimited			included	X	X	X	X	X	X
MCI Neighborhood Hispeed	84.99	84.99	Unlimited	unlimited		35.00	included	X	X	X	X	X	X

Source: Company reports, Banc of America Securities LLC estimates.

MCI Selected Price Plans 3Q03

Offering	Total Price	Local	\$/min Local	MRC Toll/LD	Interstate \$/min.	DSL	Features price	Call ID	Call Wait	3-Way Call	Voice Mail	Speed Dial	Call Block
Neighborhood Advantage	23.99	23.99	Unlimited		0.07		included	X	X	X			
Neighborhood Complete	49.99	49.99	Unlimited	unlimited			included	X	X	X	X	X	X
MCI Neighborhood Hispeed	84.99	49.99	Unlimited	unlimited		35.00	included	X	X	X	X	X	X

Source: Company reports, Banc of America Securities LLC estimates.

Internet Based Calling Providers

1) Vonage

A la carte. Vonage does not offer a la carte phone service.

Bundled calling plans. The Vonage Unlimited Local/Regional plan offers unlimited local and regional calling, 500 minutes of interLATA, intraLATA, and Canada long distance calling, seven vertical services (Caller ID, call waiting, caller ID block, call transfer, repeat dialing, call forwarding, and voicemail) for \$24.99 (a decrease from \$25.99 in September). Additional minutes over the 500 included minutes are \$0.039. Vonage offers customers any area code from a list of 137 of the 300 U.S. area codes. For an additional \$4.95 per month per number, customers can buy extra phone numbers for the same line, allowing customers to receive calls from many different regions with the calling party in the additional area code paying for a local call (similar to toll-free-number services). All Vonage plans require a broadband connection.

Unlimited calling plans. The Vonage Premium Unlimited plan offers unlimited local and long distance calling, unlimited calls to Canada, and seven vertical services (Caller ID, call waiting, caller ID block, call transfer, repeat dialing, call forwarding, and voicemail) for \$34.99 (a decrease from \$39.99 in September). The plan also offers additional phone numbers for \$4.95 per month per number. All Vonage plans require a broadband connection.

2) Earthlink

A la carte. Earthlink does not offer a la carte phone service.

Bundled calling plans. The new Earthlink Voice plan offers unlimited local and regional calling, 500 minutes of interLATA, intraLATA, and Canada long distance calling, and seven vertical services (Caller ID, call waiting, caller ID block, repeat dialing, call forwarding, voicemail, and call return) for \$24.99. Additional minutes over the 500 included minutes are \$0.039. The plan requires a subscription to Earthlink high speed Internet (DSL), which is currently priced at \$49.95, with the first three months priced at \$21.95.

Unlimited calling plans. The Earthlink unlimited voice plan offers unlimited local and long distance calling, unlimited calls to Canada, and seven vertical services (Caller ID, call waiting, caller ID block, repeat dialing, call forwarding, voicemail, and call return) for \$39.99 (a decrease from \$39.99 in September). The plan requires a subscription to Earthlink high speed Internet (DSL), which is currently priced at \$49.95, with the first three months priced at \$21.95.

Cable Providers

1) Cox (COX, \$36.30, Buy, Target Price: \$42.00, covered by Douglas Shapiro)

A la carte. Cox offers basic local line for \$9.99. Adding the four basic vertical services (caller ID, call waiting, 3-way calling, and call forwarding) individually brings the total to \$25.74 per month. Cox offers the U.S. Savings Plan, which offers interLATA and intraLATA rates of \$0.10 per minute and calls within the state of California at \$0.05 per minute. There is no monthly charge for the basic long distance rate package. Cox also offers the U.S. 500 savings plan that includes 500 minutes of interLATA and intraLATA long distance calls with a rate of \$0.05 for additional minutes for a total monthly charge of \$25.00.

Bundled calling plans. Cox offers a variety of vertical service bundles that offer vertical services at a discount to the a la carte pricing. The Active Lifestyle package offers five vertical services (call forwarding, three-way calling, call waiting, speed calling, and redial) for \$5.95 per month. The Control Plus package offers a four vertical service package (Call waiting ID, priority ringing, call return, and long distance alert) for \$10.95, a \$3.65 discount to the a la carte plan. The Solution's package includes 15 vertical services for \$15.95 per month. For local and long distance, Cox offers three basic bundles. The Cox Connection 60 includes unlimited local, 60 total minutes of interLATA and intraLATA long distance calling, the U.S. Savings Plan rated for additional minutes, and the Solutions package of vertical services (15 features) for \$29.99 per month. The Cox Connection 90 plan offers all the same rates and features as the Cox 60 plan, but includes 90 total minutes of interLATA and intraLATA long distance calling for \$34.99 per month. The Cox Connection 200 plan offers all the same rates and features as the Cox 60 plan, but includes 200 total minutes of interLATA and intraLATA long distance calling for \$39.99 per month.

Unlimited calling plans. Cox Unlimited includes unlimited local calling, unlimited interLATA and intraLATA calling, and four vertical service package (Call waiting ID, priority ringing, call return, and long distance alert) for \$48.75 per month in San Diego. Prices vary for the product based on the state.

2) Comcast

A la carte. Comcast offers a basic local line for \$13.00. Adding the Value package of four basic vertical services (caller ID, call waiting, long distance alert, and call return) brings the total to \$32.95 per month. Adding the Premier package of more than eight vertical services (the basic package plus, four additional services) brings the total to \$34.95. The basic long distance product offers rates of \$0.07 per minute for interLATA and intraLATA long distance for \$3.95 per month.

Bundled calling plans. Comcast offers three bundled local and long distance calling packages. The Basic Local Package offers the Value package of vertical services, unlimited local calling, and offers \$0.07 per minute for interLATA and intraLATA long distance for \$31.95 per month. Comcast offers the Value package of vertical services, unlimited local calling, 180 minutes of interLATA and intraLATA long distance, and a rate \$0.07 per minute for interLATA and intraLATA long distance for \$40.95 per month. The final package is identical to the 180 minute plan but includes 300 minutes of interLATA and intraLATA long distance for \$45.95 per month. The complete package of vertical services can be added to any of these plans for \$3.00 per month.

Unlimited calling plans. While Comcast does not offer unlimited long distance calling plan, the company offers a 5000 minute plan for \$49.95, which is basically an unlimited package.

3) Cablevision

A la carte. Cablevision does not offer a la carte phone service.

Bundled calling plans. Cablevision does not offer a la carte phone service.

Unlimited calling plans. Cablevision offers one basic phone plan. Optimum Voice offers unlimited local and long distance in the U.S. and Canada plus five vertical services (Call waiting, Caller ID, Call Return, Three Way Calling, and Call Forwarding) for \$34.95 per month. The plan requires a subscription to Cablevision Optimum Online, which is currently priced at \$49.95, with the first six months priced at \$29.95.

Banc of America Securities

Cable Company/Internet VoIP Available Price Plans: 4Q03

Offering	Total Price	Local	Local MRC	LD MRC	Intrastate \$/min	Interstate \$/min	Bband	Features price	Call ID	Call Wait	3way Call	Call Fwd	Voice Mail	Speed Dial	Call Block	Other	Comments
Cablevision																	
Optimum Voice	74.90	34.95	unlim				39.95	5 included	X	X	X	X					Incl. call return
Comcast																	
Basic Package	31.95	13.00	unlim	2.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
180 minute package	40.95	13.00	unlim	11.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
300 minute package	45.95	13.00	unlim	16.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
Comcast Unlimited	49.95	13.00	unlim	20.95				16.00	X	X	X	X		X	X		Incl. call return & LD alert
Cox Communications																	
Standard	29.89	9.99	9.99	3.95	0.05	0.07		15.95	X	X	X	X	X	X	X	X	
Cox Connection 60	29.99	9.99	20.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox Connection 90	34.99	9.99	25.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox Connection 200	39.99	9.99	30.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox US500 Savings Plan	50.94	9.99	25.00	0.00	0.05	0.05		15.95	X	X	X	X	X	X	X	X	
Unlimited	48.75	48.75	48.75	unlim			49.99	included	X	X							Incl. priority ring & LD alert
Earthlink																	
Unlimited Voice + DSL	77.94	34.99	unlim	unlim			42.95	Included	X	X	X	X	X	X			Must purchase DSL
Earthlink Voice + DSL	67.94	24.99	unlim	unlim			42.95	Included									Must purchase DSL
Vonage																	
Vonage	34.99	unlim	unlim						X	X	X	X	X	X			
Unlim Local/Regional (500ld)	24.99	24.99	unlim	Unlim	0.04				X	X	X	X	X	X			Includes 500 LD min
Basic 500	14.99				0.04				X	X	X	X	X	X			Includes 500 local/ld min

Source: Company reports, Banc of America Securities LLC estimates.

Cable Company/Internet VoIP Available Price Plans: 3Q03

Offering	Total Price	Local	Local MRC	LD MRC	Intrastate \$/min	Interstate \$/min	Bband	Features price	Call ID	Call Wait	3way Call	Call Fwd	Voice Mail	Speed Dial	Call Block	Other	Comments
Comcast																	
Basic Package	31.95	13.00	unlim	2.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
180 minute package	40.95	13.00	unlim	11.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
300 minute package	45.95	13.00	unlim	16.95	0.07	0.07		16.00	X	X							Incl. call return & LD alert
Cox Communications																	
Standard	29.89	9.99	9.99	3.95	0.05	0.07		15.95	X	X	X	X	X	X	X	X	
Cox Connection 60	29.99	9.99	20.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox Connection 90	34.99	9.99	25.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox Connection 200	39.99	9.99	30.00	0.00	0.05	0.07		included	X	X	X	X	X	X	X	X	
Cox US500 Savings Plan	50.94	9.99	25.00	0.00	0.05	0.05		15.95	X	X	X	X	X	X	X	X	
Unlimited	48.75	48.75	48.75	unlim			49.99	included	X	X							Incl. priority ring & LD alert
Earthlink																	
Unlimited Voice + DSL	89.98	39.99	unlim	unlim			49.99										Must purchase DSL
Vonage																	
Unlim Local/Regional (500ld)	25.99	25.99	unlim	unlim	0.04				X	X	X	X	X	X			Includes 500 LD min
Premium Unlimited plan	39.99	39.99	unlim	unlim					X	X	X	X	X	X			

Source: Company reports, Banc of America Securities LLC estimates.

REG AC - ANALYST CERTIFICATION

The primary research analyst whose name appears in this research report certifies that: (1) all of the views expressed in this research report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report.

IMPORTANT DISCLOSURES

Banc of America Securities LLC Stock Rating System

The rating system is based on a stock's forward-12-month expected total return (price appreciation plus dividend yield). The prospective rates of return that help define the Buy, Neutral and Sell ranges are subject to change from time to time, corresponding with changes in prospective rates of return on competing investments. The specific volatility levels that divide our stocks into low, medium, high and extreme ranges are subject to change from time to time, corresponding with changes in the volatility of benchmark indexes and the companies that comprise them.

Volatility		Ratings		
		Buy	Neutral	Sell
Low	0-30%	10%+	9%-(6)%	(7)% or worse
Medium	31-40%	15%+	14%-(10)%	(11)% or worse
High	41-70%	25%+	24%-(15)%	(16)% or worse
Extreme	71%+	50%+	49%-(25)%	(26)% or worse

Source on volatility: Bloomberg

Rating Distribution

Global Coverage

Coverage Universe	Companies	Percent	Investment Banking Clients	Companies	Percent*
Buy	233	37	Buy	116	50
Hold	356	57	Hold	148	42
Sell	37	6	Sell	11	30

Media/Telecom

Services Sector

Coverage Universe	Companies	Percent	Investment Banking Clients	Companies	Percent*
Buy	17	45	Buy	9	53
Hold	18	47	Hold	10	56
Sell	3	8	Sell	2	67

* Percentage of companies in each rating group that are investment banking clients.

As of 01/01/2004.

The analysts and associates responsible for preparing this research report receive compensation that is based upon various factors, including Banc of America Securities' total revenues, a portion of which is generated by Banc of America Securities' investment banking business. They do not receive compensation based upon revenues from any specific investment banking transaction.

Banc of America Securities prohibits analysts, their associates and members of their households from maintaining a financial interest in the securities or options of any company that the analyst covers or that fall within the analyst's coverage sector except in limited circumstances (for securities and options acquired prior to July 9, 2002) as permitted by the New York Stock Exchange and the National Association of Securities Dealers. Any such direct stock ownership by an analyst(s) preparing this report in his or her covered companies mentioned in this report is disclosed below. The absence of any such disclosure means the analyst(s) preparing this report does not have any such direct stock ownership in his or her covered companies mentioned in this report. Such persons may own diversified mutual funds. As of the date hereof, Banc of America Securities also permits analysts, their associates and members of their households to maintain financial interests in funds and other private investments that may include companies in a sector the analyst covers if the person acquired the financial interest prior to July 9, 2002.

Banc of America Securities may now or in the future purchase or sell as principal securities or related financial products, options, warrants, rights or derivatives of companies mentioned in this report.

For applicable current disclosures, please call us at 1-888-583-8900 and ask for your BAS representative, or write us at Banc of America LLC, Attn. Compliance Department, 9 West 57th Street, New York, NY 10019, or visit our website at www.bofasecurities.com and follow these steps to get to a webpage containing all applicable current disclosures: click tab 'Go to client Log-In'; fill in your username and password and log-in; click 'Search Document Library' in the 'U.S. Equity Research Library'; fill in the ticker symbol of the company in the search field and hit 'Search'. If you do not have a username or password, please contact your BAS representative or call the number above.

Banc of America Securities LLC and/or its affiliates has received compensation for investment banking services from this company, its subsidiaries or affiliates during the previous 12 months: CBB, Q, VZ, T, FON, COX, CVC.

Banc of America Securities LLC and/or its affiliates expects to receive, or intends to seek, compensation during the next three months for investment banking services from this company, its subsidiaries or affiliates: CBB, Q, VZ, T, BLS, FON, SBC, COX, CVC.

Banc of America Securities LLC and/or its affiliates was manager of a public offering of debt securities for this company in the previous 12 months: VZ, COX.

Banc of America Securities LLC and/or its affiliates was comanager of a public offering of debt securities for this company in the previous 12 months: COX.

Banc of America Securities LLC and/or its affiliates was manager of a Rule 144A offering of debt securities for this company in the previous 12 months: CBB.

Banc of America Securities LLC and/or its affiliates was comanager of a Rule 144A offering of debt securities for this company in the previous 12 months: COX.

Banc of America Securities LLC acted as co-advisor to Cincinnati Bell Inc. in its analysis of new sources of capital, addressing certain amendments to its credit facility, reviewing strategies for building shareholder value and analyzing steps needed to de-leverage the company: CBB.

An associate who assists in the preparation of research on CMCSK holds 354 shares of the common stock, which were acquired before July 9, 2002: CMCSA.

Banc of America Securities is providing certain services in connection with Cablevision Corp's spin-off of its satellite service and 3 Rainbow Media national entertainment services: CVC.

This report is issued in the U.S. by Banc of America Securities LLC, member NYSE, NASD and SIPC; in Europe by Banc of America Securities Limited; and in Asia by BA Asia Limited (referred to herein, collectively as “Banc of America Securities”) as part of its research activity and not in connection with any proposed offering of securities or as agent of the issuer of any securities. This report has been prepared independently of any issuer of securities mentioned herein. Neither Banc of America Securities nor its Analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). This report is provided for information purposes only and is not an offer or solicitation for the purchase or sale of any financial instrument. Any decision to purchase or subscribe for securities in any offering must be based solely on the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

With the exception of information about Banc of America Securities LLC and its affiliates, the information contained in this report has been obtained from sources believed to be reliable, and its accuracy and completeness is not guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein, other than information about Banc of America Securities and its affiliates. Banc of America Securities has no obligation to update or correct any information herein. The views and other information provided are subject to change without notice. Any opinions, projections or forecasts in this report are, unless otherwise stated, those of the author and do not represent the views of the issuer or any other person. This report does not constitute or contain investment advice. This report is issued without regard to the specific investment objectives, financial situation or particular needs of any specific recipient. Neither Banc of America Securities nor any officer or employee of Banc of America Securities or any affiliate thereof accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

Investments in general, and derivatives (i.e. options, futures, warrants and contracts for differences) in particular, involve numerous risks including, among others, market risk, counterparty default risk and liquidity risk. Derivatives are not suitable investments for all investors, and an investor may lose all principal invested and in some cases incur unlimited losses. Foreign currency denominated securities are subject to fluctuation in exchange rates that could have an adverse effect on the value, price or income derived from such investment. In addition, investors in securities such as American Depositary Receipts (ADRs), the values of which are influenced by foreign currencies, effectively assume currency risk. It may be difficult to sell an investment and to obtain reliable information about its value or the risks to which it is exposed. Past performance of securities, loans or other financial instruments is not indicative of future performance.

To U.S. Customers: Banc of America Securities LLC (BAS) has accepted responsibility for the distribution of this report in the United States of America to BAS clients, but not to the clients of its affiliate, Banc of America Investment Services, Inc. (BAI). Transactions by U.S. persons (other than BAI and its clients) in any security discussed herein must be carried out through BAS. BAS provides research to its affiliate, BAI. BAI is a registered broker-dealer, member NASD and SIPC and is a nonbank subsidiary of Bank of America N.A. Clients who are provided BAS research should understand that securities of companies discussed herein **are not FDIC insured, may lose value and are not subject to any bank guarantee**. The securities described herein may not have been registered under the U.S. Securities Act of 1933, and in such case, may not be offered or sold in the United States or to U.S. persons unless they are sold in compliance with an exemption from the registration requirements of such Act.

To U.K. Customers: This document has been approved for distribution in the U.K. by Banc of America Securities Limited, which is regulated by the Financial Services Authority (including any successor body) for the conduct of investment business in the U.K. Prices, values or income ascribed to investments in this report may fall against your interests. The investments may not be suitable for you and if in any doubt you should seek advice from an investment advisor. Changes in rates of exchange may have an adverse effect on the value, price or income from an investment. Levels and basis for taxation may change. The protection provided by the U.K. regulatory regime, including the Financial Services Scheme, do not generally apply to business coordinated by Banc of America Securities from an office outside the United Kingdom.

To German Customers: In Germany, this report should be read as though BAS has acted as a member of a consortium which has underwritten the most recent offering of securities during the last five years for companies covered in this report and holds 1% or more of the share capital of such companies.

To Canadian Customers: The contents of this report are intended solely for the use of, and may only be issued or passed on to, persons to whom Banc of America Securities LLC (“BAS”) is entitled to distribute this report under applicable Canadian securities laws. In the province of Ontario, any person wishing to effect a transaction should do so with BAS, which is registered as an International Dealer. With few exceptions, BAS may only effect transactions in Ontario with designated institutions in foreign securities as such terms are defined in the Securities Act (Ontario).

To Hong Kong Customers: Any Hong Kong person wishing to effect a transaction in any securities discussed in this report should contact BA Asia Limited.

To Customers in Other Countries: This report, and the securities discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors. Generally, this report may only be distributed to professional and institutional investors.

This report may not be reproduced or distributed by any person for any purpose without the prior written consent of Banc of America Securities. Please cite source when quoting. All rights are reserved. Further information on any security or financial instrument mentioned herein is available on request.

BAS (United States)
Banc of America Securities LLC

9 West 57th Street
New York, New York 10019
Tel. Contact: 212-583-8000

600 Montgomery Street
San Francisco, California 94111
Tel. Contact: 415-627-2000

100 North Tryon Street
Charlotte, North Carolina 28255
Tel. Contact: 888-279-3457

© 2004 Bank of America Corporation

BASL (United Kingdom)
Banc of America Securities Limited

5 Canada Square
London E145AQ, England
Tel. Contact: +44 207 774 4000

Equity Web Site: www.bofasecurities.com
Fixed Income Web Site: <http://bofa.com/capitalmarkets>
Bloomberg: Type BAC [GO]
First Call: www.firstcall.com
Multex: www.multex.com
TheMarkets.com: www.themarkets.com
For access, please contact your sales representative.

BAAL (Hong Kong)
BA Asia Limited

Bank of America Tower
2nd Floor, Hong Kong
Tel. Contact: 852-2847-6175

